EUROPE'S BUSINESS NEWSPAPER

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SOUTH AMERICA
When ideology holds sway
Page 12

World News

Opposition joins forces in challenge to Gandhi

India's opposition parties agreed to a coalition movement to challenge Prime Minister Rajiv Gandhi at the next general election, due by the end of next year.

The National Front will combine seven national and regional parties on a loose platform of decentralisation, anti-corruption and socialism. The main leader will be Vishwanath Pratap Singh, Finance Minister under Gandhi when he introduced his most liberal economic reforms. Page 2

● Indian state government of Nagaland was dismissed and the region put under presidential rule after Rajiv Gandhi's Congress (I) party lost its majority in the state assembly.

Baker on Bush

Vice-President George Bush will use peace and prosperity as the twin pillars of his attempt to win the November presidential election, Mr James Baker, his newly appointed campaign chairman and the US Treasury Secretary, said. Page 14

Pakistan warning

Soviet Union and Afghanistan said they would take action unless Pakistan halted what they said were "crude violations" of the Geneva accords on Afghanistan.

Palestinians backed

Moscow re-affirmed its support for a Palestinian state, a week after Jordan decided to sever ties with the Israeli-occupied West Bank, a PLO official said. Hussein backs PLO government, Page 3

Egypt aids Sudan

Egypt is sending urgent humanitarian aid to Sudan where torrential rains were reported to have killed scores of people and left more than... homeless.

Train chief quits

The head of France's state-owned SNCF railways resigned following a train crash at Paris' Gare de l'Est railway station in which one man was killed and 56 people injured. Page 4

Burma police kill 3

Burmese police shot dead three people and wounded 19 during anti-government demonstrations in three towns by protesters wielding spears and swords, the official News Agency of Burma said.

Five dead in ambush

Five men were killed and six others seriously wounded when gunmen ambushed two buses in Mpumalanga, one of many rural South African townships swept up in the conflict between the leftist United Democratic Front and the Zulu Inkatha movement.

Birthday demands

Solidarity leaders urged Polish workers to mark the eighth anniversary of the banned trade union by demanding better pay and conditions and the union's legalisation.

300 feared drowned

Only 10 bodies have been found of the 300 or more people feared drowned when an overcrowded ferry capsized in the river Ganges, officials said.

Tamil attack

Tamil guerrillas shot dead a senior police officer and his driver in an ambush in Sri Lanka's northern peninsula.

Hawke stands firm

Bob Hawke, Australian Prime Minister, said he was prepared to fight moves to restrict Asian immigration to Australia, even if it meant his defeat.

Human chain demo

About 12,000 anti-military protesters formed an 11km chain around the Air Self-Defence Force base in Komatsu, central Japan, police said. There were no clashes.

Rise to the occasion

Javier Perez de Cuellar, UN Secretary General, was stuck in a lift at UN headquarters on his way to crucial talks with Iran's Foreign Minister on a possible Gulf ceasefire. As he boarded another lift Perez de Cuellar joked: "The talks are not stuck. I am stuck."

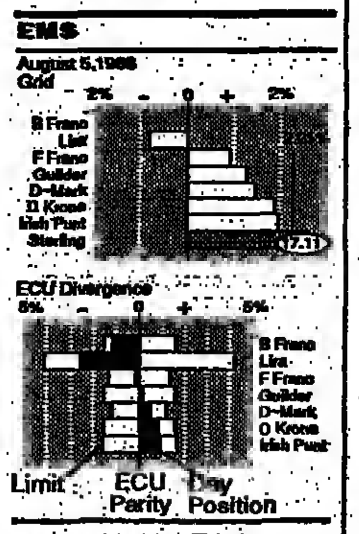
Business Summary

Murdoch to pay $3bn for US magazine group

MEDIA magnate Rupert Murdoch plans to pay $3bn for Triangle Publications Inc., which will add TV Guide, the largest-selling weekly magazine in the US, the Daily Racing Form and Seventeen magazine to his communications empire, a spokesman announced in New York.

A MOVE to restructure Britain's estimated £200bn ($342bn) national debt could follow last week's decision by the Government to redeem early $2.5bn of the UK's external borrowings. Page 14

EUROPEAN Monetary System: The Irish punt moved to the top of the EMS last week, improving on the influence of a stronger UK pound. The Danish krone was also firm, leading to suggestions that interest rates might to be cut. So far however, such a move has been ruled out by the Danish central bank.



The chart shows the two constraints on European Monetary System exchange rates. The upper grid, based on the weakest currency in the system, defines the cross-rates from which no currency (except the lira) may move by more than 2¼ per cent. The lower chart gives each currency's divergence from the "central rate" against the European Currency Unit (Ecu), itself derived from a basket of European currencies.

TOKYO: In half-day trading on Saturday the Nikkei index fell 61.2 to 28,362.18. Share prices closed lower on profit-taking, centred in retailers and incentive-backed shares. World Stock Markets, Page 29

GULF-USSR: A Gulf states bank said it was prepared to finance joint ventures within the Soviet Union, further indicating closer ties between the USSR and the Gulf. Page 14

INTERNATIONAL Business Machines, world's largest computer company, continued to lose market share in Europe last year. IBM accounted for 32.5 per cent of the top 25 revenue-earners in 1987, down from 35.3 per cent the previous year. Page 4

AIR AFRIQUE: Ten West African states which own Air Afrique dismissed its chairman as part of a financial rescue plan for the heavily indebted regional carrier.

SOUTH KOREA: Several foreign companies that did business with South Korea during the regime of former President Chun Doo Hwan are expected to come under scrutiny by parliamentary committees investigating alleged "irregularities". Page 3

WEEK AHEAD: Inflation fears and the outlook for interest rates could again provide a theme for UK and US financial markets this week. Page 15

JAPANESE Ministry of Finance announced further steps in its programme to remove controls from the interest rates on bank deposits. Page 18

DAIMLER-BENZ, diversified West German motor group, reduced its holdings in Dornier, its aerospace subsidiary, to 54 per cent from 65.5 per cent by selling back shares to a member of the Dornier family. Page 20

GENERAL MOTORS looks set to follow Ford and Volvo into the multi-billion dollar US car rental industry after the announcement that it is seeking a big stake in National Car Rental. Page 20

COFIR, Spanish investment arm of Cerus, Carlo De Benedetti's European holding company, concluded its second large raid this year into the domestic market with the acquisition of 40 per cent of Sanitas, Spain's leading private health insurance company. Page 20

UN move signals breakthrough in bid for Gulf peace

By Our Foreign Staff

MR JAVIER PEREZ DE CUELLAR, the UN Secretary-General, is expected today or tomorrow to set a date, possibly two weeks from now, for an end to eight years of fighting in the Gulf which has claimed more than a million lives.

Mr Ali Akbar Velayati, Iranian Foreign Minister, yesterday met Mr Perez de Cuellar in New York and the talks apparently confirmed that a breakthrough had been achieved on the issue of whether a truce should come before or after direct talks between Iran and Iraq.

On Saturday, President Saddam Hussein of Iraq dropped his insistence that direct talks should precede any truce.

At his meeting with Mr Perez de Cuellar, Mr Velayati accepted the proposal of the Secretary-General that direct negotiations between Baghdad and Teheran should take place after a ceasefire.

After meeting Mr Perez de Cuellar for nearly two hours, Mr Velayati told reporters: "We accepted the proposal of the Secretary-General (on) the face-to-face negotiations after the ceasefire.

"We agreed that face-to-face negotiations and the level of the face-to-face talks depends on the decision of the Secretary-General."

At the same time, Tehran radio issued a statement saying: "Now that Iraq's precondition has been eliminated . . . the Secretary-General may immediately begin implementation of his plan for implementing Security Council Resolution 598 and, with the announcement of a ceasefire, proceed to implementation of other clauses of the resolution." The resolution provides for a ceasefire and a comprehensive settlement.

Mr Velayati, in his latest comments, did not reiterate previous suggestions that each country's troops would have to withdraw from the other's territory, and that prisoners would have to be exchanged, before any direct talks.

A US State Department official welcomed Baghdad's change of position and the resulting progress. "Ws felt the Iraqi move was a positive step. It seemed to have moved things along. And obviously things are playing out. It's up to the Secretary-General to work out the details and we fully support his efforts," he told Reuter news agency.

There was no immediate statement on the Perez de Cuellar-Velayati meeting from Baghdad or from the UN Secretary-General himself, who was expected to hold urgent consultations with members of the Security Council.

Mr Ismat Kittani, the Iraqi envoy to the UN, was also due to see Mr Perez de Cuellar last night. Mr Tareq Aziz, the Iraqi Foreign Minister, returned to Baghdad for consultations on Saturday.

Iran effectively sued for peace by announcing its acceptance of Resolution 598, passed by the Security Council in July 1987, in a surprise development three weeks ago.

Although the resolution had previously been accepted by Baghdad, consultations by the Secretary-General with both sides became bogged down over issues of timing, and there was an upsurge of fighting as Iraq tried to seize prisoners of war. Tehran accused the Iraqis of using chemical weapons.

Yesterday, Iraq claimed to have destroyed nine Iranian positions.

The Knwaiti Defence Minister, Sheik Nawaf Al-Ahmed Al-Sabah, predicted in an inter-

Continued on Page 14

Brazil spending cuts raise hope of debt rescheduling

By Ivo Dawnay in Rio da Janairo

THE BRAZILIAN Government's success in reducing its overspending has boosted its international campaign to win the backing of creditor banks for a new debt rescheduling agreement.

The public sector deficit has fallen to 1.06 per cent of Gross Domestic Product (about US$9bn), against 1.79 per cent for the first half last year, surprising and heartening the Administration.

But industrial outpnt has fallen by 4.8 per cent in the first half, despite a small improvement in June, confirming fears that the country is now undergoing a fierce recession.

The decline in industrial performance dashes hopes that soaring exports might make up for the downturn in domestic demand. Much of the surge in the country's trade surplus, again expected to top $1.8bn last month, is now attributed to a record harvest and booming international commodity prices, fuelled by the US drought.

Brasilia now faces a formidable challenge, however, in controlling the traditional second-half seasonal surge. Commenting on the outlook, Mr Mailson da Nobrega, the Finance Minister, recently warned: "We are working on the razor's edge."

Brazil has adopted a year-end target of 4 per cent for its operational deficit – the real annual shortfall in revenues after adjustments to remove factors related to indexation for inflation.

In nominal terms, where the impact of inflation-indexing of revenues and payments is disregarded, the deficit is a much higher 9.37 per cent of GDP, although down on the 12.61 per cent in the same period last year.

The operational deficit is the key figure now being perused by foreign creditor hanks in deciding whether to back a restructuring package, involving $5.2bn in "new money" loans, negotiated with a 14-member bankers' committee in the last few months.

The International Monetary Fund has supported the deal; accepting Brazil's arguments that the target is attainahle. Last week the Paris Club group of sovereign creditor governments also gave its blessing to the accord on the basis of the figure, lifting its ban on state-financed trade credit loans.

Much now depends on Brazil's ability to hold the lid on federal spending, already sharply curtailed this year by budget and puhlic sector recruitment freezes.

Mr da Nobrega must battle pressure from the farm sector against a cnt in traditional cheap credits. In addition, with tax revenues falling, he must curh a spending spree expected before November's municipal elections.

He has already acted to raise receipts by hringing forward payment dates on a range of federal taxes, now being shrunk in real terms by inflation of over 20 per cent a month. The measure, which should raise $1.3bn, has provoked a howl of anguish from industry.

Mr da Nohrega has also adopted a policy of raising interest rates and encouraging imports to rednce excess liquidity in the economy.

Boost for BATS US bid hopes

By Andrew Hill in London

A CALIFORNIAN court ruling in favour of BAT Industries has given a boost to the British tobacco and financial services company in its long-running battle to win control of Farmers Group, the Los Angeles-based insurer.

The California Superior Court ruled late on Friday that the state's insurance commissioner had misinterpreted a statute prohibiting ownership of insurance companies by governments or agencies of governments and was therefore wrong to ban BATS' $4.2bn takeover bid for Farmers.

The commissioner is now expected to have to reverse his decision, made nearly two months ago, and analysts believe the court ruling could influence the commissioners of other states. Judge Kurt Lewin also rejected cross-appeals by Farmers which had demanded a new hearing by the insurance commissioner.

Mr Patrick Sheehy, chairman of BATS said: "This is indeed excellent news. California, with more than 40 per cent of Farmers' business, is certainly a key state for us."

The decision came hard on the heels of the Ohio Department of Insurance's approval of the bid, following the UK group's firm commitment last week to fulfil certain conditions imposed hy the state. These included pledges to maintain Farmers employment in the state and to continue to offer non-smoking discount policies. BATUS, the company's US subsidiary, already has a large operation in Ohio generating some $200m of sales a year.

Farmers operates in 26 states, and in nine of those – accounting for about 72 per cent of Farmers' husiness – regulatory approval has to be won.

BATS has pledged to win over all nine insurance commissioners, but the outcome of the bid is unlikely to be clear until mid-October at the earliest.

So far only Arizona and Ohio have decided to allow the bid, with California now expected to follow suit. The hearings in Illinois have just finished and a decision is anticipated before the month, while Kansas and Texas have still to decide.

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US markets braced for gradual squeeze on credit

By Janet Bush in New York

US FINANCIAL markets start the week hraced for another possible move to tighten monetary policy hy the Federal Reserve in response to last Friday's etrong empioyment report for July.

The consensus of opinion on Wall Street is that the central bank will nudge short-term interest rates higher over coming weeks but that the squeeze on credit will be undramatic and extremely gradual.

Money market economists believe the Fed will encourage the key Fed Funds rate to move higher, to perhaps 8 per cent over the next fortnight from its apparent current range of between 7¾ per cent and 7⅞ per cent.

There is an almost unanimous view, however, that the Fed will try at all costs to avoid raising its 6 per cent discount rate.

Mr James Baker, who last week resigned as US Treasury Secretary to run the presidential campaign of Vice-President George Bush, said in a television interview yesterday that the Fed was doing an extraordinarily good joh at striking a balance between maintaining economic growth and being vigilant about inflation.

He would not be drawn on whether inflation was a legitimate concern, whether he expected the Fed to tighten monetary policy or whether higher interest rates would be harmful to Mr Bush's campaign.

There are a number of compelling reasons why any further tightening move hy the Fed would have to be subtle.

The most pressing dilemma facing the Fed is the strength of the dollar.

The US currency jumped to its highest level this year against the D-Mark last Friday and remained strong despite reported Fed intervention.

An overt further tightening of monetary policy would add to upward pressure on the currency and threaten to weaken the already heleaguered D-Mark.

This week the Fed has to be careful not to upset the mood in the US bond market which has to absorb the $22bn quarterly Treasury refunding.

Next week, political sensitivities about rising US interest rates are likely to come to the forefront as the Repuhlican convention gets underway.

Historical hint, Page 14; Inflation fears, Page 15; No-win decision, Page 18

Mrs Thatcher returns a greeting of welcome from Kampuchean resistance leader Prince Norodom Sihanouk at a refugee camp on the Thai border on Sunday

Sihanouk for talks in Britain and US

Roger Matthews in Bangkok

PRINCE Norodom Sihanouk, the Kampuchean resistance leader, is to visit London and Washington in October for talks with Mrs Margaret Thatcher and President Ronald Reagan, in the run-up to the third round to peace talks on Kampuchea scheduled to be held in Paris the following month.

An ehullient Prince Sihanouk revealed this yesterday, minutes before the arrival of Mrs Thatcher at a refugee camp in Thailand eight miles from the border with Kampuchea.

It was a series of firsts yesterday for Mrs Thatcher: her first meeting with the Kampuchean leader, the first visit by a British Prime Minister to Thailand, and the first hy any prime minister to the refugee camp known as Site B. Prince Sihanouk described her visit as historic and praised Mrs Thatcher as a "great woman and a great stateswoman."

The British Government's intention is to try to maintain the momentum that appears to be developing towards a nogotiated settlement. Mrs Thatcher stressed that the efforts of the five permanent members of the United Nations Security Council in working towards a ceasefire in the Gulf war was an encouraging sign for the people of Kampuchea.

"There are more possibilities now of being able to resolve these long-standing prohlems hecause of the co-operation that is being shown by the five permanent memhers of the Council," she said.

Mrs Thatcher also praised the Soviet Union which, she said, had been foremost in hringing pressure on Vietnam to withdraw its occupying troops from Kampuchea.

Prince Sihanouk and Mrs Thatcher were hoth insistent that any settlement had also to ensure that there was no risk of a return to power hy the Khmer Rouge, who under the notorious Pol Pot wreaked havoc on the country between 1975 and 1979 leading to the Vietnamese invasion.

Prince Sihanouk stressed that the continuing threat from the Khmer Rouge would ensure that all other factions would unite. This included the Vietnamese-backed Government of Mr Hun Sen and Prince Sihanouk's own forces.

"There is already more than a *de facto* truce between us and

Continued on Page 14

Defence deal planned

By Andrew Hill in London

BRITAIN is negotiating the terms of a major defence contract with Malaysia.

The exact value of the deal is not yet determined, but it could be worth as mnch as £2bn ($3.42bn) for UK companies principally involved.

They are the General Electric Company, the UK industrial, electricals and electronics group, through its Marconi snhsidiaries, together with British Aerospace, the aircraft and missiles group, and VSEL, the shiphuilder and defence contractor.

Completion of the first stage of negotiations by the UK Government is helieved to be imminent. The deal may have been on the agenda when Mrs Margaret Thatcher, the Prime Minister, stopped for two hours of talks in Kuala Lumpur on Saturday, en ronte for Thailand. However, the matter is regarded as highly sensitive, and it is likely to be some time before details are finalised.

In a separate development, GEC is believed to be poised to huy an office and printing equipment company in the US for between $100m and $200m.

OVERSEAS NEWS

Indian opposition forms alliance against Gandhi

By David Housego in New Delhi

INDIA'S opposition parties yesterday agreed to join forces in a new coalition movement and so cleared a big hurdle on the way to making an electoral challenge to the Government of Mr Rajiv Gandhi.

The National Front, as the new group is to be called, brings together seven national and regional parties on a loose platform of decentralisation, anti-corruption and old-fashioned socialism. The main leader of the front will be Mr Vishwanath Pratap Singh, Finance Minister under Mr Gandhi when he introduced his most liberal economic reforms.

Plans for such a national coalition have been in the offing for some while, but the opposition has hurried into patching its differences because it seems that the Government has become increasingly vulnerable.

The most dramatic sign of this was Mr Singh's by-election victory last month when he defeated Mr Gandhi's Congress (I) Party at Allahabad, the home of the Nehru family, having based his campaign on a crusade against corruption.

The coalition is part of a two-tier opposition strategy to unseat Mr Gandhi. The second step involves a merger of four of the parties in the coalition as a new party, the Samajwadi Janata Dal.

Without a national alliance, the opposition parties know they would be too small and too regional to defeat the Congress party, which has roots in every state.

The last time the opposition parties linked forces in such a way was in 1977, when the Janata alliance defeated the late prime minister Mrs Indira Gandhi. The divisions within the alliance, however, were too deep for the it to survive the strains of government for long.

The new National Front already suffers from many of the weaknesses of the Janata party. The draft programme announced is a hotch-potch of ideas drawn from the constituent members.

The socialist orientation of the programme emerges in proposals to return to a policy of import substitution and to the spirit of "Be Indian, Buy Indian".

If the opposition were to win the next general election, though, it would not necessarily implement such policies under Mr Singh's more liberal leadership.

A further anomaly lay in the fact that, while opposition speakers yesterday pledged a return to greater democracy, some of those on the platform had helped Mrs Gandhi implement the emergency during the 1970s. Among them was Mr V.C. Shukla, in charge of press censorship during the emergency.

Burmese students call for anti-government strike

By Our Special Correspondent in Rangoon

IN KEEPING with the strong Buddhist tradition in Burma, students have waited until today – the auspicious eighth day of the eighth month, 1988 – to call a general strike against the military Government in Rangoon.

The day will be a big test of whether the student-led dissidents, who are calling for democracy and the fall of U Sein Lwin, the new Burmese leader, can widen their support to include workers, most of whom are employed by the state.

If support for the strike appears, the new Government will face its first serious challenge since martial law was declared on August 3.

As troops moved on to the streets last week, however, it became increasingly clear that U Sein Lwin, who took power two weeks ago, is not simply the puppet of U Ne Win, whose 26-year rule drove Burma into the ground, diplomats in Rangoon say.

Already U Sein Lwin is living up to his tough reputation, reinforced in March and June when he supervised suppression of anti-Government riots in which at least 100 died.

On August 4, truckloads of heavily armed troops moved into Rangoon. They took up positions around pagodas, market places and street corners, apparently to prevent demonstrators gathering.

None appeared, possibly because schools were closed for a Buddhist holiday.

For two days before U Sein Lwin declared martial law, about 2,000 students marched through Rangoon, waving flags of a fighting peacock, a symbol of their revolt.

In spite of the tensions on the streets, diplomats are cautiously optimistic that political change and economic reforms are genuinely desired by U Sein Lwin.

"He is trying to keep the lid on student unrest while he formulates economic reforms," one diplomat said.

Since taking over, U Sein Lwin and his officials have avoided using the word "socialism", referring instead to a "national economic system", and officials have repeatedly said the government-controlled papers that the private enterprise laws, placing almost all economic activity in the hands of state enterprises, have been abolished.

Details of what private business can do will emerge only in October at the next session of the nominal parliament.

In reality, Burma's black market, or free enterprise system, is what has kept the country functioning for so long. U Sein Lwin's declaration that it is no longer illegal is simply a recognition of fact, but it will speed reform and shows official recognition that U Ne Win's "Burmese way to socialism" has comprehensively failed, diplomats say.

Burma's hand appears to have been forced at a meeting in April in Tokyo between Mr Takeshita, Japan's Prime Minister, and U Tun Tin, the Minister for Planning and Finance. Japan made it clear that it would not provide a 14th yen loan, worth about $250m, unless reforms were put in place, Japanese officials say.

Japan has just signed a debt relief grant for Y3.5bn (£15m), which will allow Burma to import vital commodities, but there will be no more aid until plans for economic reforms at least are in place. Japan is easily Burma's biggest aid donor.

Congress seeks allied aid on defence costs

By Lionel Barber in Washington

THE American public's support for the deployment of US forces overseas is eroding, according to a new Congressional report which urges Europe and Japan to share more of the defence burden.

The report, by a House armed services subcommittee, says the US is bearing a disproportionate defence burden and its allies are insufficiently aware of domestic pressures in the US, including in Congress, to reduce US commitments overseas.

The debate on the deployment of US forces overseas goes back as far as the second world war, but it appears to have gained new momentum in this election year for a mixture of reasons.

Budgetary pressures, coupled with a general anxiety about America's economic strength and the rise of Japan and Europe as global trading powers, have led to calls for more equitable "burden sharing".

As the House report says: "Europe and Japan are not contributing or producing security resources and capabilities commensurate with their economic ability to pay."

In Nato, the report says, Luxembourg, Canada, Denmark, Portugal, Italy, Norway, West Germany, Belgium, Spain and the Netherlands appear to be doing far less than their fair share.

A second factor influencing opinion in Congress is the willingness or otherwise of the allies to share defence "risks". Last year, American politicians were furious at initial allied reluctance to join the US in patrolling the Persian Gulf.

Poll victory defended in Mexico

By David Gardner in Mexico City

LEADERS OF Mexico's ruling Institutional Revolutionary Party (PRI) say they will launch a counter-offensive against the opposition this week, to defend the victory claimed by the regime in the much-disputed presidential election last month.

However, they ruled out any radical reform of the party until their candidate, Mr Carlos Salinas de Gortari, has been installed as president on December 1.

The PRI's drive to regain the initiative follows the appointment last week of Mr Manuel Camacho as the party's new secretary-general, moving from the Environment Ministry. He is one of Mr Salinas's closest political advisers and is tipped as his Interior Minister.

Opposition leaders of the Left and Right last week issued a joint statement that they would not recognise a Salinas Government because it had not obtained a majority of the votes really cast. The left-wing coalition led by Mr Cuauhtemoc Cárdenas, a former PRI luminary, continued to claim "a clear majority", while Mr Manuel Clouthier of the right-wing National Action Party (PAN) called for a new election.

Returns from about half Mexico's 55,000 polling stations have yet to be published. The electoral authority – on July 13, a week after the election – gave Mr Salinas 50.4 per cent, Mr Cárdenas 31.1 per cent, and Mr Clouthier 17.1 per cent.

Mr Camacho, in an interview with the FT soon after he took his new job, said the remaining returns would be produced this week. He accused the Cárdenas coalition of producing a sample from its areas of strength to demonstrate his alleged victory.

Be that as it may, Mr Cárdenas has called for all the returns to be published.

Mr Camacho said his brief was to defend the PRI's victory, regroup the party, and negotiate with the opposition. "We are going on to the offensive," he argued.

He ruled out for the time being a restructuring which would place the Salinas group of reformists in the saddle. "It would be ingenuous to attempt reform without taking into account the 'real forces'," he said, in reference to the old guard of the ruling party.

Vienna security talks adjourned

By Judy Dempsey in Vienna

THE MEETING in Vienna of the Conference on Security and Co-operation in Europe (CSCE) has gone into recess after three months of wide-ranging East-West talks whose achievements diplomats have described as "uneven".

Western and some eastern European diplomats say progress was impaired because of unrealistic expectations raised by Mr Roland Dumas, French Foreign Minister and Mr Hans Dietrich Genscher, his West German counterpart.

They visited Vienna last month and said the pace of the conference should be accelerated so that a new round of talks on European disarmament – the Conventional Stability Talks (CST) – could start as soon as possible.

However, other Nato delegations (notably those of Britain, the US, Canada and the Netherlands) are not prepared to rush into any new CST until a balanced and substantial outcome is reached in all three areas of the CSCE process. These include human rights, economic co-operation and humanitarian issues.

In recent weeks, France and West Germany, have often given the impression that they see themselves as playing the key role in persuading the Warsaw Pact countries to undertake new commitments in these areas.

However, Mr Genscher's insistence that the Vienna meeting stay in session while he visited the Soviet Union this month led to misgivings among several Nato diplomats about Bonn's approach to the CSCE.

IBM continues to lose ground in Europe

By Hugo Dixon in London

INTERNATIONAL Business Machines, the world's largest computer company, continued to lose market share in Europe last year. IBM accounted for 33.5 per cent of the top 25 revenue-earners in 1987, down from 35.3 per cent the previous year.

Although IBM's revenues did not fall, they grew by only 15.8 per cent in dollar terms – more slowly than those of its competitors.

This can be partly explained by the large number of mergers and acquisitions among its rivals during the year, according to the US magazine Datamation in the latest of its regular surveys.

Europe's computer companies increased their share of their home market last year, the magazine reports.

The top 25 players in the European market for computer products and services earned revenues equivalent to $56.5bn in this market in 1987 – a 26.5 per cent increase over those of the previous year.

When the effect of the low dollar last year is taken out, revenues grew by 12 per cent.

Nine of the top 25 companies were from the US – down from 11 in 1986. The remaining 16 were all European, these accounting for 46 per cent of the revenue earned by the top 25 – up from 41 per cent in 1986.

The strong growth of computer leasing companies was also a feature of last year, with three such – Inspectorate International of Switzerland, Europe Computer Systems of France and Econocom International of The Netherlands – entering the top 25 for the first time.

Datamation estimates that a third of all large computer systems acquired by European companies are now financed on a leasing basis.

Three UK companies were represented in the top 25 – STC, Atlantic Computers and Amstrad. This last entered the list for the first time, on the back of an 80 per cent increase in computer revenues.

Datamation, August issue; Cahners Publishing, 27 Paul Street, London, EC2A 4JU; by subscription.

Chile secures IMF's first fund facility extension

By Mary Helen Spooner in Santiago

CHILE has secured a one-year extension of its three-year extended fund facility accord with the International Monetary Fund (IMF). The extension was approved in Washington on Friday and provides for Chile to receive an extra $75m in credits, to be disbursed on a trimestrial basis, beginning next month.

The move marks the first time the IMF has ever agreed to a prolongation of an extended fund facility credit.

Earlier in the week, Mr Hernan Buchi, Chile's Finance Minister, signed an agreement with the country's 400 commercial creditor banks to cut interest rates on medium- and long-term debt and to provide for a return to the voluntary credits market.

The agreement also allows Chile to expand its foreign debt conversion programme, by drawing on up to $500m of its copper compensation fund to buy discounted debt notes on the international market. The copper compensation fund was set up last year in response to high prices for copper which accounts for about 35 per cent of export earnings. In addition, Chilean debtors and their creditors may negotiate repayment in pesos, pending central bank approval.

Chile's debt conversion programme, set up in 1985, has retired $3.9bn of medium- and long-term debt as of April 30, 1988, according to the central bank.

French rail chief resigns after second Paris crash

THE FRENCH Government yesterday accepted the resignation of the head of the French railways after the second big Paris rail crash in six weeks, and trade unions blamed job cuts for what they termed a poor safety record, Reuter reports from Paris.

Mr Philippe Rouvillois, the director of the state-owned SNCF, tendered his resignation during a meeting with Mr Michel Delebarre, Transport Minister, on Saturday, hours after a train crashed over the buffers at the Gare de l'Est.

A 28-year-old man was killed and seven passengers remained in hospital after rescue workers cut them free from the tangled wreckage.

The crash occurred 40 days after a runaway train ploughed into a rush-hour commuter train at the Gare de Lyon, killing 56 people and raising doubts about the rail network's safety.

Mr Rouvillois, 53, had been head of SNCF since February, when he took over the post from Mr Andre Chadeau. His replacement would be named by the Cabinet, the Transport Ministry said.

Trade unionists rejected the resignation as a government attempt to deflect public criticism and accused the SNCF of undermining safety through job reductions and budget cuts.

The SNCF said the first analyses suggested Saturday's accident was caused by the driver forgetting to switch off the engine as he pressed the brakes or by a communications fault which stopped his braking signal reaching the engine at the back of the train.

Test for Belgian Socialist realism

Tim Dickson on three months of the eighth Martens Government

BELGIUM'S three-month-old coalition of the centre and left, the eighth Government in 10 years under Mr Wilfried Martens, faces a crucial political hurdle this week when cabinet negotiations to find BFr50bn (£745m) of additional public spending cuts get under way in Brussels.

Many observers believe the discussions could prove the biggest test yet for what is widely seen in the Belgian capital as the Socialists' new realism – the left's apparent willingness, after its first taste of power for six years, to endorse the thrust of economic policies pursued by centre-right administrations of recent times.

Rumours of imminent political collapse are a perennial distraction in Belgian politics, and there are commentators prepared to predict that the threat of further public sector cuts – in order to meet the Government's key economic commitment to a 1989 budget deficit of 7 per cent of GNP – will open underlying differences within the unwieldy five-party coalition. This comprises two Socialist groups, the PS and the SP, two middle-of-the-road Christian Democratic groups, the CVP and PSC, and the Flemish Nationalist Volksunie.

What has been noteworthy about Martens VIII, on the other hand, has been the way it has gone doggedly about its business, enabling an air of relative stability to return after the uncertainties which followed the inconclusive general election of last December.

Six months in the making as the fragmented and linguistically divided parties struggled to find common ground, the Government has made impressive strides, since its formation in mid-May, in implementing its key programme of regional devolution. Last month it surprised the pundits with an unexpectedly radical plan for personal tax reform.

Belgium took another big step towards full federalism on Friday when the Senate passed a new law providing important powers for the regional authorities.

The Senate vote, which follows similar approval by the Chamber of Representatives, sets the seal on weeks of delicate debate in the Belgian Parliament.

The new powers, which include education, mean that the regions of Flanders, Wallonia, and Brussels, and the Flemish and the Francophone communities, will be able to pursue their own economic and political policies more independently than before. Details of the financing of the new powers will be discussed in the autumn.

The latest reforms, an important plank of the Government's political programme, follow Belgium's last package of devolution measures in 1980.

Some progress (albeit partly cosmetic) has been made in reducing the budget deficit – BFr70bn of savings are already in the bag. As one senior minister said recently: "The feeling inside the Government is good. The parties are working well together."

Perhaps the best example of this co-operative spirit was the Cabinet's decision to go for a single reform of personal taxes, instead of the more cautious, phased changes over four years spelt out in the Government's original programme and favoured by the Socialists.

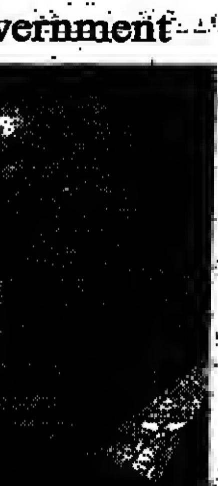
The new proposals provide for separate taxation for members of married couples, introduce a special allowance for families with one income (enabling the working spouse to attribute 30 per cent of his or her remuneration to the non-working partner), increase the minimum untaxed income for individuals and married couples, offer improvements in allowances for wage-earners with children, and reduce and simplify marginal rates.

The top marginal rate in Belgium is to be cut from more than 70 per cent to 55 per on incomes next year, and there will be seven separate personal tax bands, against more than 20 before.

According to Mr Herman van Rompuy, Secretary of State for Finance, the changes should help dispel Belgium's bad image as one of the most highly-taxed European countries, bringing top rates more or less into line with those in France, West Germany and the Netherlands. With Mr Philippe Maystadt, Finance Minister, Mr van Rompuy is one of the architects of the reforms.

Mindful of the over-riding problem of the deficit, meanwhile, the Government has clawed back the BFr89bn cost of the tax-cutting package in compensatory savings elsewhere – a precaution which even the previous budget-conscious coalition of the Christian Democrats and the right-wing Liberals was not contemplating.

Thus more than BFr46bn will be "found" by limiting existing company and individual tax concessions (including a cut in deductions for corporate investment), BFr35bn will come through a gradual increase in excise duties on alcohol, tobacco and fuel (which are now below those put forward by the European Commission as part of its harmonisation plans), and BFr7bn through more efficient tax collection.



Wilfried Martens: has chosen his time well

Mr van Rompuy says the net effect of the proposals is that individuals will be better off to the tune of BFr67.5bn, or about 10 per cent of the total revenue raised by taxes. Top executives will reap a particularly juicy reward, with those earning BFr10m a year estimated to receive more than BFr1m more in after-tax income.

Mr van Rompuy adds that the relatively easy passage of the reforms through the Cabinet reflects the powerful popular support (confirmed by the enthusiastic press commentary) for tax reductions.

Many voters are away on holiday so Mr Martens has chosen a good time to pursue some of the more controversial items in his programme. Some still suspect that his party, the dominant Flemish-speaking Christian Democrats, will seek the earliest opportunity – perhaps the municipal elections in October – to ditch its new left-wing partners and return to harness with its previous right wing allies in the Liberal parties. Few are betting on it.

Argentine prices up 26% in July

ARGENTINA'S consumer price index rose by 25.6 per cent in July, according to the latest official figures released at the weekend. This was the biggest one-month increase since June 1985, when the anti-inflationary Austral Plan was launched, Gary Mead reports from Buenos Aires.

Price increases for public utilities of 30 per cent were announced last week so the August figure is unlikely to show an improvement.

Prices have risen by 177.9 per cent in the first seven months of 1988. Taken over the last 12 months, inflation has been 361.2 per cent. Costs of food and education were the leading inflationary items in July.

President Raúl Alfonsín said in July that his Radical Party Government would bring inflation down to single figures for each of the last three months of 1988.

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OVERSEAS NEWS

Proposal for independent Palestinian state worries Israel

By Andrew Whitley in Jerusalem

A POLICY document allegedly seized from a prominent PLO supporter in East Jerusalem, calling for the declaration of an independent Palestinian state on the lines of the 1947 United Nations partition plan, has created consternation in Israel.

As a first step, the document – said to have been found in the offices of the Arab Studies Centre headed by Mr Faisal Husseini – called on Palestinians in the occupied territories to destroy their Israeli-issued identity cards and obtain new papers from the PLO.

The centre was closed last week and Mr Husseini re-arrested. While Israeli officials have been quick to scoff at the impracticality of the proposals, the Foreign Ministry admits to being deeply concerned about its diplomatic implications.

It estimates that between 30 and 40 foreign states could recognise the self-declared Palestinian entity, creating serious problems for Israel.

In a related development, three centre-left parties – the Citizens Rights Movement, Mapam and the new Centre Party – yesterday issued an unprecedented statement in favour of direct talks between Israel and the PLO, provided the latter recognises the state of Israel and renounces terror.

Contacts between Israelis and known PLO members are banned under a controversial new law. Meanwhile, talks on the implications of the decision in Amman to leave the West Bank to the PLO were held in Jerusalem yesterday between Mr Richard Murphy, the US special envoy touring the Middle East, and Israeli ministers, including Prime Minister Yitzhak Shamir and Foreign Minister Shimon Peres.

According to the usually reliable Army Radio, Mr Shamir said any hint of rapprochement with the PLO on the part of the US would encourage the violence in the West Bank.

After the talks, Mr Murphy, the State Department's top Middle East expert, said he was convinced that King Hussein's distancing of Jordan from the West Bank did not mean he was "walking away from the peace process".

Pressure on Shamir to annex West Bank

Israel's right is capitalising on the Jordanian withdrawal, reports Andrew Whitley

FLOUNDERING in the wake of King Hussein's speedy disengagement of Jordan from the occupied West Bank, the Shamir Government is coming under pressure from the right to fill the resulting administrative vacuum by formally annexing the territory to Israel.

How strong the pressure grows will depend, though, on how much further the King goes in putting substance into the divorce.

A declaration that the Jordan river will be an international frontier, for example – rather than a ceasefire line between two parts of the Hashemite kingdom, as it has been viewed by Amman for the past 21 years – could force Jerusalem to act.

Much will depend, also, on the steps adopted by the PLO at next month's emergency meeting of the Palestine National Council, its top deliberative body. The establishment of a "government-in-exile" or a unilateral declaration of independence for the occupied territories – an essentially rhetorical move – might raise the temperature in Israel to boiling point.

On several occasions over the past week, Prime Minister Yitzhak Shamir rebuffed the annexation demands, some of which came from senior ministers in his own Likud bloc, arguing that to do so would undermine Israel's commitment to the 1978 Camp David accords.

But even if King Hussein and the PLO do nothing else, the issue is now sure to become a theme in the campaign already under way for the November general elections. The ultra-nationalist parties of the right, riding a bandwagon of growing support, especially among the young, will see to that, if only to lure votes away from the Likud.

Protesting that following the King's speech of last Sunday the Government had missed a golden opportunity to declare Israeli sovereignty over the entire area, Prof Yuval Ne'eman, a Tehiya parliamentarian, warned that the alternative was the PLO. During a rally on Wednesday on the Allenby Bridge, the main crossing point between the West and East Bank, a fellow Knesset member, Mrs Geula Cohen, reminded Jordan that Israeli revanchism, based on Biblical claims to all the lands settled by the 12 Jewish tribes, also extended to the other side of the river.

At yesterday's Cabinet meeting, Mr Ariel Sharon, Trade and Industry Minister, renewed a call he first issued on Wednesday for Israeli law to be extended immediately to those parts of the West Bank either deemed essential for Israel's security or thinly populated by Arabs. This includes the Jordan river valley, where many Jewish frontline settlements have been in place since 1967.

Public backing for Mr Sharon has also come from Mr Yitzhak Modai, the former Finance Minister, a member of the policy-making inner Cabinet. In the light of King Hussein's declaration, he said Israel was no longer an occupying power. It should therefore abrogate Jordanian law still in force in the West Bank and dismantle the military-run Civil Administration.

Mr Shamir is too experienced a politician to let himself be cornered in this way, above all in the throes of what will be a tightly fought election campaign. After November, if, as the polls indicate, he finds himself heading a new, right-wing coalition government the Likud leader will want to have all his options open.

The seven-year-old Civil Administration which has run the West Bank and Gaza Strip until now in de facto co-operation with Jordan is clearly on its last legs. By his actions of the past few days King Hussein has effectively delegitimised the 18,000 or so Palestinian civil servants in the territories. He has also spurred the growth of a parallel subterranean administrative structure.

For all the recent declarations of Mr Shamir and Defence Minister Yitzhak Rabin that Israel will not step into the breach, by providing additional funds, manpower or services to the occupied territories, they may soon find they have no choice. The creeping annexation of the past two decades will have taken another lurch forward towards its logical conclusion.

Shamir: faces elections

King Hussein offers support for PLO 'government'

By Tony Walker in Amman

KING HUSSEIN of Jordan has supported moves in the Palestine Liberation Organisation to declare a "government-in exile," saying he would recognise such an institution "without hesitation".

The King, briefing reporters on his announcement that he was severing legal and administrative links with the West Bank and Gaza Strip, emphasised repeatedly these steps had been taken in response to PLO demands for independent statehood.

Intense debate

The PLO is now engaged in an intense debate on various options following Jordan's decision to yield direct responsibility for the occupied territories to it as the sole legitimate representative of the Palestinian people.

In Baghdad last week, PLO leaders held long discussions on the possible formation of a government in exile. Another measure under consideration is the declaration of an independent Palestinian state in the West Bank.

The leadership of the eight-month uprising in the Israeli-occupied territories has prepared a document advocating such a step.

King Hussein pledged to continue moral and material support for Palestinians resident in the West Bank and Gaza Strip, but he made it clear that he expected the PLO to assume greater responsibility for their welfare.

Speaking quietly in an auditorium in his palace, the King said Jordan remained committed to a comprehensive settlement in the Middle East and to the idea of an international conference as a means of reviving peace efforts.

No solution

He criticised both Israel and the US, which, he said, had missed repeated opportunities to advance the peace process. He said the US had conspicuously failed to exert its influence over Israel in the interests of a settlement.

Israel should realise, he said, that no solution could come from the continued occupation of the land of others and the denial of their rights.

The King appeared to rule out the possibility of speaking on behalf of the Palestinians. That option was closed, he said. The Palestinians, he observed, must be a principal party to any future peace discussions.

S Korea to probe 'corrupt' deals

By Maggie Ford in Seoul

SEVERAL foreign companies which did business with South Korea during the regime of former President Chun Doo Hwan are expected to come under scrutiny by parliamentary committees probing "irregularities" allegedly committed by the former Government.

Should any wrongdoing be found by the committee, set up after the Opposition won a majority in the National Assembly last April, any US companies found to be involved could face difficulties at home under the Foreign Corrupt Practices Act.

Among deals which could face investigation are a big US defence contract for the supply of fighter jets to the South Korean air force by a US defence contractor; the question of two civilian airliners supplied for the personal use of the former President, the contract for the construction of two nuclear power stations, the supply of rolling stock for the Seoul subway and the land deal for the construction of one of Seoul's biggest hotels.

The committee is likely to focus on alleged kickbacks received by the ex-President, his family and other senior Government officials, both over foreign contracts and domestic business deals.

Two other controversial committees have also completed their requests for witnesses and hope to start work this week.

One has been set up to look into the 1980 Kwangju incident in which at least 200 people were killed when troops put down resistance to martial law in the provincial city.

Mr Kim Dae Jung, now the leader of the largest opposition party, was charged with sedition and sentenced to death. He is expected to testify, and may be joined by the then President, Mr Choi Kyu Hah, the US ambassador at the time, Mr William Gleysteen, and the commander of the US and South Korean troops, Gen John Wickham.

The third committee, which will investigate claims of election fraud, has now completed its witness list, which includes the presidents of both state-owned broadcasting stations, the chairman of the election management committee, the former Prime Minister, Defence and Home Ministers and the former Army Chief of Staff.

Ruling party members of the committee presented 27 allegations of cheating, including computer fabrication in the count, black propaganda and illegal campaign contributions. Opposition parties listed government officials' involvement, forced mobilisation of voters, and vote buying and manipulation.

This committee has also demanded that former President Chun testify. The ruling party appeared to be moving towards a compromise on this.

In business to clown around

By Ian Rodger

JAPANESE businessmen are about to be invited to practise being clowns, as a way of becoming more relaxed and friendly.

Ringling Brothers and Barnum & Bailey Circus, the famous US circus group, has made an agreement with a Japanese company to set up a clown college next year in Tokyo.

The main purposes of the college is to train clowns, following the example of a similar Ringling Brothers college in Florida. (Graduates get a bachelor of fun arts degree.)

However, Mr Kenneth Feld, the impresario who rescued Ringling Brothers in 1967, said the college would also invite businessmen to join the school.

"We hope it will help them become less uptight," he told foreign journalists in Tokyo yesterday.

Mr Feld was in Tokyo in connection with the circus's current tour of Japan. The tour has already proved eventful.

He said that Japanese audiences in Sapporo, where the tour began last month, were appalled by the smell of the 16 elephants. They also found nothing funny about 18 clowns getting out of a tiny car, presumably because it was too close to real life on urban public transport systems.

Japanese graduates in demand

By Ian Rodger in Tokyo

JAPANESE university and college graduates will probably face a sellers' market next spring for the first time in three years, thanks to a booming business climate.

According to a recent survey of 2,249 quoted companies by the Nihon Keizai Shimbun, Japan's leading business newspaper, hiring will be up on average by about 18 per cent over last year. The hiring season begins next month.

The survey results reflected many of the current trends in the Japanese economy.

● Export-oriented manufacturing companies are coming back to the market in force after two sluggish years.

Matsushita Electric Industrial, the electronic products group, plans to hire 3,200 university graduates next spring, nearly double the 1,200 it took this year, and the largest number among the companies surveyed. Nissan Motor is looking for 1,150, compared with only 66 last year.

● Service sector companies are now among the main employers of graduates, as they seek to upgrade their management staffs in anticipation of strong business growth and market liberalisation.

The Sogo department store group ranks sixth in the table, with plans to hire 1,874 university graduates, and two supermarket groups, Daiei and Ito-yokado, are eighth and 10th respectively.

● A quarter of the companies surveyed said they would be hiring more women graduates next year, particularly those in distribution, finance, electronics, telecommunications and food sectors. The Government passed a law in 1985 encouraging companies to offer management jobs to women on equal terms with men.

● Securities companies, which have been among the largest employers of graduates in recent years because of the long boom in the Japanese stock markets, have pulled in their horns this year.

Their hiring plans are down about four per cent, apparently because of the dampening effect on business of last October's worldwide market crashes.

Afghan rebel leaders call for united guerrilla army

By Christina Lamb in Peshawar

A GROUP of Afghan resistance commanders, including the well-known Mr Ahmad Shah Massoud, has accused the fundamentalist party Hezb-i-Islami of blocking their arms supply, and said that the resistance will not win unless a regular army is created from the various guerrilla factions.

The delegation of commanders, all from northern Afghanistan, say territory can only be captured as the Soviet Union withdraws if "all groups are collected into an army so as to facilitate logistics, planning and expension".

The commanders, mainly from the Jamiat faction, represent a new organisation called the Supervisory Council of the North, headed by Mr Massoud.

So far the Jamiat leader, Professor Rabbani, is the only one of the seven resistance leaders to approve their proposal.

Mr Massoud has been one of the most successful commanders of the war and claims to control 10 of the 31 Afghan provinces, though the provincial towns are still under the control of the Government.

His representatives deny that he has done a deal with Kabul but confirm that he has agreed not to fire on departing Soviet troops, terming it a "waste of ammunition".

The Soviets have now withdrawn from all of south Afghanistan, including the strategic town of Kandahar.

Company Notices

OVERSEAS NEWS

Dismantling the barriers to an EC-wide education

Free movement of people as well as of capital is to be encouraged, reports David Thomas

TRY signing on for an Italian course at Siena University, as a friend of mine did recently, and you soon become aware of the limits of the European internal market. If you are not Italian, the university will demand documentation of a quantity likely to put off all but the most determined.

Siena is in no way untypical. Schools, universities and training institutes throughout Europe hava heen used to catering overwhelming for their own nationals. A British teacher has felt no need to understand the educational system in West Germany, let alone Greece.

This mutual ignorance has not seemed to trouhle the European Commission greatly in the past. Its 1985 white paper on completing the internal market devoted just 1½ of its 55 pages to the matter.

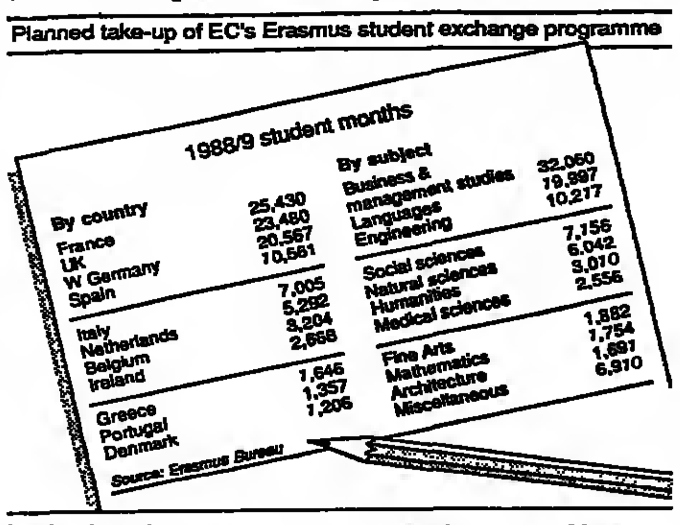
Yet awareness has heen growing that the right of workers from one EC country to work in aoother is hollow unless education and training roadblocks are dismantled. The Commission seems increasingly concerned that 1992 will never capture the popular imagination if it appears to be solely aboot the movement of goods and capital, not people.

Just as important, there are signs of greater contact on the ground. While my friend was hammering on the doors at Siena, Mrs Marialetitzia Bologni, an official of the same university, was visiting Bristol University in the UK on a fact-finding mission. The two universities got as far as identifying barriers hindering the exchange of students, such as the lack of student accommodation in Siena.

This outburst of Euro-enthusiasm in the world of education is due in no small measure to recent Commission initiatives. Thase fall broadly into two groups.

● Exchanges of students and staff. The Erasmus programme, launched by the Commission in June 1987, initially for three years, aims to encourage a freer flow of students and staff between higher education institutions in the different member states.

Planned take-up of EC's Erasmus student exchange programme



There was much disappointment in the educational world that ministers halved the Commission's original hudget for Erasmus, agreeing instead to Ecu 85m (£55m) for the first three years. This cut forced the Commission to drop its ambitious target of having 10 per cent of EC students carrying out part of their studies in another member state hy 1992. Nevertheless, there is much self-congratulation about Erasmus's early progress.

Erasmus encourages lengthy exchanges, typically of a year's length. Ahout 3,000 students received Erasmus grants in 1987-88, with demand running far ahead of the funds available. The number is planned to double to 6,500 in 1988-89. Business and management studies have emerged as hy far the most popular suhjects for Erasmus exchanges, followed hy languages and engineering.

Erasmus has acted as a catalyst to boost inter-university co-operation. A notable example is the Coimbra Group, founded last year, which comprises more than 20 of the older universities throughout the EC, including Oxford, Edinburgh, Louvain, Caen, Gottingen, Heidelburg, Dublin, Bologna, Siena, Leiden, Coimhra and Granada.

Links within the group have paved the way for Erasmus exchanges, hut Mr Peter Floor, director of academic affairs at Leiden University, who chairs the group, believes its potential is much wider in the run-up to 1992. He sees scope for members to collaborate in multi-national bids for research projects.

● Mutual recognition of qualifications. The Commission envisages qualifications gained in one EC country being readily recognised in another or even students studying for a qualification by completing courses in different countries.

Most effort so far has gone into professional qualifications, where the potential for cross-border movement seems greatest. The Commission originally sought directives harmonising tha qualifications needed for specific professions: grindingly slow progress resulted in directives for doctors, dantists, nurses, vets, architects, midwives and pharmacists.

More recently, however, the Commission has changed tack with its proposal for a general directive setting up a system for the mutual recognition of professional qualifications of degree or equivalent level. The directive, now in its final stages in Brussels, should come into effect at the start of 1991.

In future, professionals such as lawyers, accountants, teachers, surveyors and engineers will have their basic qualification recognised across the EC: the most they will have to take when moving across boundaries is a bridging course in the peculiarities of their new country.

The Commission would like something similar for vocational qualifications. The problems of agreeing on a basis hy which, say, toolmakers, car mechanics or carpenters can move from country to country are horrific, not least because few of the skills are regulated in the same way as with professionals.

Progress has been understandahly slow, although Mr Manuel Marin, EC vice-president for education and training, recently talked of work nearing completion on 25 qualifications in the catering, car repair and construction sectors.

The Erasmus programme is also geared to breaking down the qualifications barrier, albeit in different form, for it is essential to Erasmus that students spending a year in a foreign university be able to count that year towards their degree back home.

This happens at present in a limited way, usually through bilateral arrangements between universities in specific subjects. Thus, Bristol swaps history students with Giessen in West Germany for a year, a programme which took lots of hard work and enthusiasm to set up.

The next phase of Erasmus will be the grandiosely-named European Community Course Credit Transfer System, which will try to formalise these previously ad hoc arrangements. About 80 pilot projects are due to be launched in 1989. Some see the ultimate goal as a modular degree, whereby students will be ahle to complete a degree hy taking courses at several different EC universities.

Meanwhile, sceptics wonder whether all this activity is worth the trouble. The number of people using the specific directives on mutual recognition already passed for some professions has been relatively small: in 1986, 1,916 doctors took advantage of the provision across the EC, while the number was even smaller in the case of nurses (1,106), dentists (412) and midwives (57).

There seems less likelihood still of a flood of lawyers and acconntants using the new general directive, a point acknowledged even by officials involved in the initiative. The freedom of lawyers or accountants to move is academic unless they are familiar both with legal and accountancy conventions and with the markedly different responsibilities of such professions in foreign countries. Moreover, the legal implications of foreigners setting up professional partnerships needs to be clarified further by the EC.

The prospect of thousands of skilled workers moving from Birmingham to Turin, or vice versa, appears just as remote, a point acknowledged by a Commission official who said EC programmes were really aimed at "mobility of the well-qualified, not mass mobility". Language barriers, the perennial Euro-hurdle, would prevent anything more ambitious.

The Commission acknowledged this in a paper published in May on educetion, which sketched out an ambitious programme for 1992. Many more resources for language training, introducing a European dimenston into school curricula, European-focused training for teachers and work on mutual recognition of school-leaving qualifications were just some of the ideas outlined. Whather member states will cough up the money when the Commission comes back with specific proposals next year remains to be seen.

1992 THE EUROPEAN MARKET

Commission may speed Channel Tunnel aid

By Hazel Duffy, in London

THE Enropean Commission may short-circuit normal means to assist EC regions to help two areas to prepare for the impact of the Channel Tunnel, due to open in 1993.

The leaders of Kent County Council and the Nord-Pas de Calais Regional Council – responsihle for the regions in the UK and France respectively where the tnnnel entrances will be – last month submitted a joint outline plan direct to Mr Jacques Delors, president of the European Commission. Applications are usually made by the governments of member states.

The springboard for the joint appeal to Brussels that both region know that their resources – human and physical – are inadequate to deal with the impact of the Tunnel.

Projects backed may include investment in telecommunications so that, for instance, both regions conld become attractive locations for multinational corporations which link to branches worldwide.

The Commission is believed to be sympathetic to the idea of helping both regions, particularly the coastal strips which will be most directly affected.

The joint application, stemming from an economic agreement between the Councils, has attractions to the Commission which is anxious to promote the benefits of greater Enropeanisation to the regions.

SHIPPING REPORT

Oil flattens tanker market

By Kevin Brown, Transport Correspondent

BROKERS said husiness was largely flat in the tanker market last week, following another inconclusive meeting of the Organisation of Petroleum Exporting Countries.

Galbraith's, the London brokers, said the only real burst of activity was in the North Sea, where rates rose slightly before retreating to about Worldscale 80/85 for vessels of 80,000 dwt.

Rates fell again in the Mediterranean and now stand at abont Worldscale 85 for 80,000 tons, compared with a recent peak of up to Worldscale 110.

In the Gulf, there was a steady stream of inquiries for very large and ultra large crude carriers.

WORLD ECONOMIC INDICATORS

TRADE STATISTICS

		June '88	May '88	Apr.'88	June '87
UK (£bn)	exports	6.819	6.542	6.854	6.412
	imports	8.34	8.186	8.021	7.205
	balance	-1.521	-1.644	-1.167	-0.793
Japan (US$bn)	exports	21.250	20.888	20.615	18.261
	imports	15.070	13.489	12.880	11.057
	balance	6.180	6.799	7.735	7.224
France (FFr.bn)	exports	83.60	81.93	79.16	72.76
	imports	84.50	83.36	81.50	76.51
	balance	-0.90	-1.43	-2.34	-3.75
		May '88	Apr.'88	Mar.'88	May '87
US ($bn)	exports	26.624	26.029	26.877	20.262
	imports	37.555	36.333	38.580	34.337
	balance	-10.931	-10.304	-11.703	-14.075
		Apr.'88	Mar.'88	Feb.'88	Apr.'87
W. Germany (DMbn)	exports	44.48	43.27	41.85	43.77
	imports	33.54	36.06	33.46	33.72
	balance	10.94	7.21	8.39	10.05

Contracts & Tenders

Rentals

Legal Notices

Prospect of spending curb worries civil engineers

By Andrew Taylor, Construction Correspondent

CIVIL engineering companies are becoming increasingly concerned that Government attempts to stem rises in inflation will result in a tighter grip on public spending on infrastructure.

Civil engineers, who are involved in the heavier end of construction, receive about 90 per cent of their work from the public sector.

The Treasury, in the run-up to the autumn public spending negotiations, has warned that it will take a tough stance against ministers seeking big increases in expenditure on the back of buoyant government revenues.

The Federation of Civil Engineering Contractors says in its latest workload survey, published today, that there has been a slowing in the rate of increase in civil engineering work.

Mr Ron Emery, the federation's director-general, said the slower progress was to be expected "given tight cash limits on public sector investment in infrastructure."

In June the Department of Transport imposed a moratorium on the placing of motorway and trunk road repair contracts while an expenditure review was conducted.

Mr Peter Bottomley, a junior transport minister, told MPs that spending on road contracts had been going ahead faster than planned. One reason was that tender prices from contractors had been higher than expected.

The British Road Federation has claimed that up to £60m of motorway and trunk road work may be lost in the current financial year as a result of the moratorium.

Mr Emery said civil engineers were also concerned that water authorities were delaying capital investment in order to make their balance sheets look better before privatisation.

He said there was no question of the civil engineering sector overheating and being unable to cope with additional work. The country needed to improve its road and rail networks in time for industry to take advantage of the creation in 1992 of a single European Community market.

Mr Emery said the Government should be making money available to commission schemes now. Increased tender prices from road contractors, of around 10 per cent during the last year, reflected increases in material and wages costs, he said.

Mr Emery said it was dangerous to make hard-and-fast judgments on the basis of one set of results but "there are quite strong signs that the rate of improvement in workload is slowing down." There had also been a slight increase in the number of firms reporting problems due to labour and material shortages.

Talks with France over N-missile 'still on'

By David White, Defence Correspondent

THE Government yesterday denied a report that it had abandoned discussions with France on a new stand-off nuclear missile.

Contact between experts in France, Britain and the US started earlier this year on possible co-operation on a new air-launched weapon, which would replace the UK's current free-fall nuclear bomb, the WE177.

The Ministry of Defence said it was continuing to discuss collaboration with the French, first raised in London last month by Mr George Younger, the Defence Secretary, and Mr Jean-Pierre Chevenement, his French counterpart.

The ASMP missile already in service in France was considered by the UK to be "a very impressive system," an MoD spokesman said.

Pitfalls in ordination of women

Alan Pike examines a testing task for the Anglican hierarchy

THERE is nothing in heaven or earth so momentous that it cannot be reduced in scale by the antiseptic atmosphere of a modern British university.

A group of men who trace their succession to office directly from the Apostles last week reached a decision which will vary 2,000 years of tradition and pave the way for the consecration of women bishops in the Anglican church.

More than 500 bishops attending the Lambeth Conference took their vote not at Lambeth Palace, where the first conference was held in 1867, nor in the Gothic magnificence of Canterbury Cathedral, but in the sports hall of the University of Kent.

The surroundings – with the bishops sitting not on the thrones which they occupy in cathedrals throughout the world but on rows of University of Kent plastic chairs, in many cases having abandoned their usual purple for casual dress – robbed the occasion of all its heavy potential for history-making spectacle.

It also served as a powerful reminder that the argument about the ordination and consecration of women, the dominant issue at the 1988 Lambeth conference which ended yesterday, is a modern, social one as well as something rooted in the scriptures and theology.

The relaxed, confident presence around the conference of a number of women priests had the same effect. Although the ordination of women has yet to be achieved in the Church of England, women priests have already ceased to be a novelty in some provinces of the Anglican communion.

The Rev Nan Peete, who spoke at the conference of having been rejected in her youth because she was black and rejected later by parts of the church because she was female, is now rector of the Anglo-Catholic parish of All Saints, Indianapolis. Women were first ordained in the US only in the mid-1970s, but already 25 per cent of the active clergy in Indianapolis are female. The Rt Rev Ted Jones, Ms Peete's bishop, says women priests have been "received into the life of our diocese as a gift from God."

Dr Runcie: instructed to appoint commission

It is from the US that the first woman bishop is likely to come, possibly later this year. Other Anglican provinces with substantial numbers of women priests, notably Canada and New Zealand, are unlikely to be far behind.

The Anglican Communion is a quite loose, federal, body. Lambeth conferences are held every 10 years, bringing together bishops from throughout the world at the invitation of the Archbishop of Canterbury, who is senior bishop of the Anglican communion as well as of the Church of England.

Although the presence at Lambeth of the Anglican church's most senior clergy gives the conference's debates and decisions obvious influence, they are not binding on the 27 provinces around the world. It is for each local province to reach its own decisions on controversial issues like the ordination and consecration of women, leaving the conference to limit the damage arising from those decisions.

The conference undertook this fairly familiar role again this week. A motion from the Most Rev Donald Robinson, the traditionalist Archbishop of Sydney, sought to at least delay the arrival of women bishops by urging provinces to refrain from consecrating them. It was defeated by 277 votes to 187 – showing the true and potentially dangerous level of division on the issue.

But a damage-limitation resolution went through with only 28 votes against. The urged provinces to respect each others' decisions and attitudes with regard to the consecration of women, while acknowledging that respect did not necessarily indicate acceptance of the principles involved.

The extent to which the damage will be limited will depend partly on the success of Dr Robert Runcie, the Archbishop of Canterbury, who has been instructed to appoint a commission to examine the effects which women bishops would have on relationships between the provinces of the Anglican Communion.

Medieval-sounding terms like impaired communion and schism are used to describe the forms which the damage is likely to take. There is already a state of impaired communion – with clergy from one part of the Anglican church being unable to carry out priestly functions in another – arising from the ordination of women.

"It would be the same only worse with a woman bishop," was how Dr Robinson summed up this week's developments. It raises the prospect of some provinces or dioceses refusing to accept that visiting priests – male or female – had been validly ordained by women bishops and denying holy communion to churchgoers confirmed by women.

But Dr Runcie pledged "myself and my office" to the work of the commission, and its establishment will add to the likelihood of his continuing in that office for the foreseeable future.

There had been recent speculation that the archbishop, buffeted by divisions and criticism within the Church of England, might choose to retire soon after the Lambeth conference rather than remain at Canterbury until he is 70 in 1991. Many of those divisions also arise from the issue of women priests – towards which the Church of England is moving on the basis of slender and potentially difficult majorities – but they are not restricted to this.

The infamous Crockford's preface affair last December – culminating in the suicide of Dr Gareth Bennett, an Oxford theologian, after writing an article criticising Dr Runcie and the liberal wing of the church – as well as highly-publicised arguments over the place of homosexuals among the clergy, and a continuingly uneasy relationship between sections of the Church of England and the Government have are all been recent pressures.

Labour attack on government advertising

By Charles Hodgson

THE LABOUR PARTY called yesterday for much tighter controls on the use of public money to finance advertising following criticism of government pobcy in a recent Commons select committee report.

Mr Tony Blair, the opposition industry spokesman, cited the "surprisingly vigorous" criticism contained in a report on public expenditure by the Commons Treasury and Civil Service Committee as backing for Labour's demand for proper safeguards on what he described es "the flagrant ebuse of public money for party purposes."

The select committee expressed concern about "the accountability to parliament of government generally for spending on advertising and publicity." It accepted that much government advertising was uncontentious.

It added, however: "There may be tension between the legitimate need for any government to explain its existing and proposed policies and the risk that a government may seek to obtain publicity of a party political nature."

"It is essential that the tone and content of such publicity or advertising should be seen to be non-partisan. We are concerned that there may not be adequate safeguards to ensure this," the committee said.

It suggested that "in view of recent disquiet," existing conventions should be reinforced, perhaps by giving them statutory backing as with codes of practice for local government.

Mr Blair pointed to three recent official advertising campaigns as examples of bias, where the Government thought "the marketing metters more than the product."

They were the £4m DHSS campaign to explain social security changes; the £6m DTI Enterprise Initiative; and the latest £1.5m campaign to attract nurses to the NHS.

Mr Blair is writing to Mr Peter Lilley, the minister in charge of the Central Office of Information, urging that the select committee recommendations be carried out.

"In view of the impending campaign both on electricity privatisation and the poll tax it is absolutely vital that the public interest is protected against the government apologists who mask party propaganda as factual information," he said.

● The Labour Party is conducting a survey of Britain's private health sector, with questionnaires being sent to private clinics and hospitals.

The aim is to collect information, which the Government admits is lacking, about the number and type of operations and other services carried out in the private sector.

Ms Herriet Harman, Labour's health spokesman, said the current government review of the NHS would look at an expanded pertnership between the NHS and the private sector. Yet it was planning growth in the private sector without adequate data.

"The Government's ideological commitment to the private sector has allowed it to continue to formulate policy from a position of ignorance," she said.

Sunday newspaper launch in Scotland

By James Buxton, Scottish Correspondent

A QUALITY Sunday newspaper, Scotland on Sunday, was launched in Scotland yesterday by Thomson Regional Newspapers.

The 58-page first edition, in three sections, had a print run of 350,000 but the newspaper aims for a circulation of about 100,000 after initial curiosity subsides.

An editorial indicates that, unlike most other Scottish Sunday papers, Scotland on Sunday is likely to take a political line slightly to the right of centre.

It is the first quality Sunday paper to be published in Scotland since the demise in 1983 of the Sunday Standard, published by the George Outram Group, an offshoot of Lonrho.

That newspaper was launched in 1981 with treditional technology into a declining advertising market, but the fact that it had a circulation of more than 100,000 at its demise suggests that there is a market for an indigenous quality Sunday paper. In the past year The Sunday Times has made a big effort to win Scottish circulation with a Scottish edition and Scottish property supplement.

Scotland on Sunday says it has confirmed with surveys the existence of a substantial market for a Sunday paper giving serious coverage of Scottish news, business, sport and the arts.

The first issue leads with a story about government plans for Scottish education, supported by an exclusive on corrosion to the Tay rail bridge. Its main feature article is an analysis of the challenge facing Mr Malcolm Rifkind, the Scottish Secretary, in rebuilding Conservative Party fortunes in Scotland.

The second section of the paper is devoted to the arts and leisure, and the third consists of a 12-page property supplement.

In its first editorial Scotland on Sunday, edited by Mr Alistair Stuart, former editor in chief of Thomson regional Newspapers, says that "it will set out to be the voice of reason, common sense and enterprise ... the expression of a the new mood that exists in a Scotland looking forward to an expanding future rather than e contracting past ... Scotland on Sunday is on the side of enterprise."

South-east takes almost half of rise in population

By Kevin Brown

NEARLY half the recent population growth in England and Wales has taken place in the south-east, according to the annual report of the Sonth East Regional Planning Conference (Serplan).

The report says the population of England and Wales was 50.075m in mid-1986, and that 17.264m people, or 34.47 per cent of the total lived in London and the home counties.

Serplan says the population of England and Wales grew at about 150,000 a year in the two years to 1986. The growth rate in the south-east was about 70,000 e year. It also reports that the population of London grew for the third successive year, continuing to reverse more than 40 years of decline.

The increase in London was caused almost entirely by immigration from ahroad. However, London's total population of 6.775m was still lower than the 6.805m recorded in 1981.

Serplan, which advises the Department of the Environment on planning matters, said it had decided to review planning strategy in the south-east to take account of the impact of buoyant economic growth.

Regional Trends in the South East: The South East Regional Monitor 1987/88. Serplan, 50-64 Broadway, London SW1H ODB. £25.00.

Dairy shortage in Britain as EC quotas take hold

By Christopher Parkes, Consumer Industries Editor

BRITAIN, once awash with surplus milk, is suffering severe shortages and agitation is growing over the side-effects of European Community production quotas.

● Bntter is in short supply and shop prices are going up this month by between 4p and 5p a 250-gram pack.

● Some popular cheese types, such as Cheshire, are unobtainable in certain areas.

●Food manufacturers are protesting about shortages and sharp increases in the price of skimmed milk powder (SMP), a vital ingredient in chocolate and other products.

The once-notorious butter and dried milk mountains have almost disappeared. At the last count there were 79,000 tonnes of ageing butter in UK intervention stores, compared with 250,000 tonnes at the end of 1986, and the 23,000-tonna mountain of SMP had shrunk to just 40 tonnes.

But food processors and retailers need fresh produce and it is becoming more difficult to find.

The Biscuit, Cake, Chocolate & Confectionery Alliance has protested to Brussels about the continuation of 60 per cent subsidies on SMP sold for animal feed while the market price of the same product for use in human food has risen by a third in the past year to as much as £1,300 a tonne.

Mr Alex McClumpha, chairman of the alliance's supply committee, said: "The real problem is supply. We are concerned that manufacture of the high added-valne products of the food industry may be interrupted."

Similar shortages in France and the Netherlands ruled out imports to ease the situation, he said.

While milk supply and demand were in overall balance in the EC, this did not allow for regional and seasonal disparities of the type now afflicting Britain.

"The Commission may say there is loads of milk in Bavaria, but it may not be the type and quality we need," Mr McClumpha said.

Britain's main problem, which first showed up last year, is that most milk is produced in the spring, when there is ample, relatively cheap grass. Prices paid to farmers have recently been adjusted by the Milk Marketing Board (MMB) to encourage farmers to feed their cattle on bought-in fodder and boost output in the summer.

However, the action appears to have come too late to be effective this year, according to a report on the dairy industry from Salomon Brothers, the stockbroker, which forecasts shortages this month of cheeses such as Cheshire and Wensleydale.

Shortages have been exacerbated by the UK milk marketing system, run by the MMB, which pays top prices for liquid milk for fresh consumption. Cheese makers, faced with consumer demand increasing by 3-5 per cent a year, have been paying premiums for supplies.

This has left the manufacture of butter – least profitable for milk producers – in a supply squeeze which has sharply reduced availability of SMP, a byprodnct of bntter making.

The stockbroker's report also suggests there may be further upsets in the dairy industry in the next few months, when UK legislation is adjusted to allow imports of fresh milk.

Although imports, from Ireland for example, may never account for more than 2 per cent of UK consumption, Salomon suggests they may be attractive to price-conscious supermarket chains and could have "a disproportionate impact on industry pricing levels."

This and other factors might once again highlight the inadequacies of the MMB, the report says, "which may lead to increased pressure for an alternative industry structure."

UK puts the pressure on California tax regime

By Peter Montagnon, World Trade Editor

A DELEGATION of UK businessmen, officials and politicians flew to California yesterday in a renewed effort to persuade the state government to amend its restrictive rules on unitary taxation.

The visit follows widespread support among British MPs for a motion calling on the British Government to retaliate unless California amends its legislation which is viewed as unfairly penalising foreign companies.

The motion, signed by nearly 320 MPs has attracted more support than any of the 1,455 so-called Early Day Motions – topical issues seen as urgent by an MP – before the House of Commons, according to a statement by the Unitary Tax Campaign, a group of British MPs and industrialists opposed to the system.

Under its unitary tax system California is entitled to levy tax on the worldwide income of companies with operations there instead of just on their income derived from local business.

Britain has long objected to this policy which it regards as contrary to international rules laid down by the United Nations and Organisation for Economic Co-operation and Development.

Mr Michael Grylls, the Conservative Party MP who is leading the delegation, said that despite concessions granted by California, such as the right of foreign companies to opt out of unitary tax against payment of a fee, California "has taken no real measures to stop its use of unitary tax."

Unless California improves its legislation, the British Government could "have to look at applying additional pressure, perhaps even taking retaliatory action," Mr Grylls said.

Under powers granted by Parliament in 1985, Britain has the right to bar tax credits to parent companies of US groups with subsidiaries in the UK but it has so far refrained from using these powers in retaliation to California's unitary tax policy.

Postal workers to vote on strike action

By Our Labour Staff

POSTAL workers are being balloted on industrial action to resist the imposition by the Post Office of local pay supplements for new recruits to ease acute recruitment difficulties in some areas.

The Union of Communication Workers is recommending that 140,000 postal workers vote for action up to and including strikes to resist the scheme.

The Post Office is finding difficulty recruiting staff in areas of the south-east and has brought in "difficult recruitment area supplements" to try to ease the situation.

Prison chiefs urge police staffing to allay crisis

By John Gapper, Labour Staff

PRISON governors are pressing the Home Office to implement contingency plans under which prisons would be staffed by police, possibly backed by the Army, unless an industrial dispute at Holloway prison in north London is resolved quickly.

Mr Terry Bowen, chairman of the Association of Prison Governors, said yesterday that governors wanted Mr Douglas Hogg, Home Office Minister, to implement the plans amid fears of the dispute spreading.

Seven London prisons are already refusing to take new admissions in support of more than 200 staff who are on strike at Holloway.

Staff at Manchester's Strangeways prison and Norwich prison have also voted for action.

Mr Bowen said it was "highly likely" that the Holloway dispute would become a national one unless it was resolved within days.

Mr Hogg has refused national talks on the issue, insisting it is separate from wider issues.

He called for the Prison Officers' Association (POA) to accept a cooling-off period.

The POA claims that staff at more than 30 prisons have voted to take industrial action.

Pension fund for mineworkers in post-crash coup

By Barry Riley

THE £5bn Mineworkers' Pension Scheme avoided the worst effects of last October's crash by building up its liquidity to £480m, or almost 9 per cent, at the end of September and then investing a net £168m of this in UK equities at much lower prices between late October and Christmas.

Details of the scheme's strategy are revealed in its annual report. The scheme covers some 105,000 employees of British Coal, as well as 268,000 pensioners and 266,000 deferred pensioners.

The news will add fuel to the debate about short-termism among those pension funds – the majority – which are managed by external investment advisers who are often subjected to severe short-term competitive pressures.

In contrast the mineworkers' scheme is internally managed by CIN Management which also manages the parallel, and similarly-sized, British Coal Staff Superannuation Scheme.

Many insurance companies were also notable for their cautious stance last year, a feature which has been attributed to their freedom from the pressures caused by quarterly performance measurement.

But the typical UK pension fund raised its equity exposure from 71 per cent to 77 per cent during the nine months to September 1987, according to the measurement service of the WM Company, a performance measurement specialist.

Liquidity fell from 4 per cent to 3 per cent. The mineworkers' scheme, however, had an equity exposure of only 59 per cent pre-crash.

Mr Paul Whitney, chief executive of CIN Management, praised the scheme's trustees. "It's a compliment to our trustees," he said.

While many other pension fund managers were investing heavily in equities at pre-crash prices, the mineworkers' fund made net sales of UK and US equities, although it was a net buyer of German and Japanese stocks.

Safeguards demanded for occupational 'owners'

By David Barchard

GREATER protection of the rights of pension scheme members is urged in two separate submissions to the Occupational Pensions Board, which were published at the weekend.

The Wider Ownership Group of the Centre for Policy Studies claims that the present structure of occupational schemes no longer matches the needs of a career-mobile and articulate workforce.

The group says that the question of who owns pension funds should be clarified. It says fund managers should recognise the beneficiaries as the true owners of the funds and become genuinely responsive to the wishes of their members.

Lord Vinson, one of the submission's authors, said: "The average employed person in a pension scheme has an accumulated capital fund of £100,000 at the time of his retirement but does not know it.

"There ought to be much more transparency about the administration of pension funds, and each member of one ought to receive an annual valuation of the unit value he has in it."

The Wider Ownership Group adds that opportunities to pillage the assets of a pension fund after a takeover or management changes should be removed.

The Institute of Actuaries says too much of the financial security of members of pension schemes depends on an element of discretion in final salary schemes.

The actuaries say that there should be greater protection for pension scheme members when a scheme is wound up.

Doubt cast on current account statistics

By Ralph Atkins, Economics Staff

BRITAIN'S current account deficit last year could have been overstated by £2bn, says a leading securities house in a report released yesterday.

Economists at Phillips & Drew believe measurement errors may have concealed the fact that tha UK's current account deficit in 1987 was zero or even a surplus. Official figures showed a daficit of £1.6bn.

The report says that trade figures from all the world's countries should add up to zero.

However, throughout the 1980s the world total of current account statistics, showing inflows and outflows of goods, services and other income, has shown a substantial deficit.

This means that official deficits of some countries are overstated or that surpluses are understated.

Mr Mark Brown and Mr Chris Johns, the report's authors, draw on work by the International Monetary Fund to try to estimate the discrepancy in leading industrial countries.

They conclude the US current account deficit was overstated by $10bn last year. The recorded deficit was $155bn.

The Canadian deficit is estimated to have been significantly understated, but adjustments needed to the West German, Japanese, French and Italian current account balances are thought to be relatively minor.

The report says the measurement problems stem mainly from the difficulties in recording portfolio investment. This covers income from financial assets such as shares or bonds.

Trends in financial markets in the 1980s have made many financial assets more widely negotiable, increasing the problem of tracking ownership.

The report says the UK's current account figures need a relatively large positive adjustment because of the country's prominence in portfolio investment. But it says the relative size of the adjustment will fall this year as the size of the deficit grows.

There are many uncertainties in the calculations and the margins of error are large, the authors admit.

Households 'cannot buy first homes'

By Andrew Taylor, Construction Correspondent

HOUSE PRICES have risen so steeply in south-east England that nearly half of households wanting to buy a home for the first time cannot afford to, according to a report today from the Association of District Councils.

The study by Bristol University's School for Advanced Urban Studies compared local house prices and local incomes from material provided by Nationwide Anglia Building Society and the latest earnings survey from the Department of the Environment.

This showed that well over 50 per cent of honseholds wanting to buy a first home in Surrey would not be able to afford it. In East Sussex 52 per cent of honseholds earned insnfficient money to bny their first home. The comparahle figure in Greater London and Oxfordshire was 46 per cent; in Essex, Berkshire and Hertfordshire it was 42 per cent.

"By contrast, 98 per cent of working households in 12 northern counties would be able to buy a home. In practice, between 10 per cent and 15 per cent of housebolds were denied this option because of unemployment," said the association, which represents 338 honsing anthorities in England and Wales.

The association said the Government should allow councils to spend more money providing low-cost homes for people who were priced out of home ownership.

Ona solntion it suggested was to allow local anthorities to spend a greater proportion of the capital receipts they had received from the right-to-buy programme of selling council houses.

Lady Elizabeth Anson, chairman of tha association, said: "Local authorities and housing associations must be able to meet local needs until the private sector is in a position to do so.

"Government policies aim to restore the private rented sector, but there must not be a gap in providing new houses for rent until this is achieved."

Access to Owner Occupation; Association of District Councils, 9 Buckingham Gate, London SW1E 6LE.

Population grows, Page 8

Bullish prospects at the country show

John Gapper reports on changing commercial approaches to an old institution

Tony Andrews

A serious business: Geoff Boden of Mellor with a pair of prize-winning Texel sheep

MS JUDITH Merchant, a psychoanalyst from Teaneck, New Jersey, had taken the train from York, changing at Derby and Matlock, completing her journey by taxi, in order to return to the Bakewell Show, a phenomenon she first chanced across during a holiday three years ago.

"I was really quite charmed and impressed by the seriousness that English people have about their country shows," she said. "The men showing dogs were all dressed in their typical garb, the plaid jackets and the boots. We do not have anything like this back home."

The morning drizzle had cleared on the second day of the 137th Bakewell Show as Ms Merchant ("as in Venice") collected her overseas visitor badge, admitting her to the members' enclosure for lunch with the Bakewell Agricultural and Horticultural Society's 500 patrons and 1,200 members.

Not even this, however, was enough to gain her entry to the inner sanctum of the Pb Industrial Batteries hospitality tent alongside the main show ring, from which 450 corporate guests could watch the grand parada of livestock courtesy of "a company that still maintains traditional values."

Some New Jersey traditions are catching on in the Wye Valley. The afternoon sun illuminated a sea of company flags flying above stands on which visitors could buy everything from John Deere tractors to Breton pancakes, kitchen interiors and even cases of wine.

Derbyshire commerce has changed since 1848, when the society took as its founding objectives "to promote Improvement in the Breeding and Rearing of Livestock, the Invention and Improvement of Agricultural and Horticultural Implements and the Encouragement of Skill and Industry in Agriculture."

"Everyone is into sponsorship these days. It has to be tha way forward," said Mr Derek Roberts, the society's honorary treasurer. Last year, sponsorship raised £9,912. This year it is contributing about £15,000 towards the £145,000 cost of the show, which is a registered charity.

According to most measures, the show's story is one of inexorable growth. The number of paying visitors has risen steadily from 25,567 in 1978 – the year before it switched from one to two days – to 36,305 last year.

But the bigger the show, the greater the financial risk for an enterprise still heavily dependent on gate receipts. "No organisation should really gamble the sort of money we spend on two days of an English summer," said Mr Ted Brownhill, the show secretary.

SUMMER BUSINESS

There are still shudders at the memory of 1972, when a torrential downpour cut the number of visitors to 11,918 and the society's committee had to make a public appeal to remedy a £4,000 loss.

Most of last year's £10,701 surplus went on the installation of underground electrical cabling at the 40-acre showground to replace overhead wiring deemed inadequate by a health and safety inspector.

Such uncertainties increase the attraction of reliable sources of income such as trade stands, members' subscriptions, sponsorship, and corporate hospitality. The last started five years ago with the Pb Industrial Batteries deal.

Mr Derek Plowright, managing director of the company, based in nearby Alfreton, paid £10,000 for his ringside tent, in which his guests were served a three-course lunch and tea to the gentle tinkling of a piano, and reckoned the venture was money well spent.

"In a sense, it is totally obtuse for a battery company to entertain at a country fair," said Mr Plowright as some imposing Charolais bulls strolled nearby, "but our customers enjoy a day out in wellies and waxed coats, and it must be good for the fair to have them here spending money."

What they spend it on is another matter. One elderly retired farmer was bemoaning the lack of traditional stands like those of the corn merchants, who used to provide "a good feed" for farmers. "There used to he stands selling plonghshares all tha way round," he said.

Perhaps the closest to a synthesis between farming tradition and the new consumerism was to be found at the stand of Kebcote Clothing of Habden Bridge, purveyors of Barbour and Norfolk jackets and green wellington boots to rural folk and Sloane Rangers alike.

Inside, Mr Keith Collinge, the owner, was gaining quiet satisfaction – and trade – from the mixed weather. "One thing we do not like is a roasting hot day. It makes them all lethargic: they just sit on the grass with a can of Coke and forget about the stands."

An object less likely to attract the average industrial battery buyer was Dovemount Annabel, a 600 kilo Hereford cow declared breed champion ("Main Cattle Sponsor: National Westminster Bank"). Mr John Thorley, her owner, did not expect any sales to result directly from this triumph, but was phlegmatic.

"Shows tend to be break-even, honour and glory these days," he said. "Who knows, by the end of the century we might be in the leisure business. If people stop eating beef like Edwina Currie is telling them, they might have to pay us to display cattle, like shire horses."

Nearby, a falconer was demonstrating his lost art next door to the display of City of Sheffield Recreation Department's City Farm. This included some rather sleepy Cabot goats, described on the notice fixed to their pen as "small agile animals with no commercial qualities."

Mr Brownhill, the senior of the three full-time employees admits that losing touch with their roots is a trap faced by all shows, but he thinks Bakewell avoids it. He took the job 13 years ago "to escape the Sheffield rat race" and describes his time with the show as "the happiest days of my life."

Mr Roberts, whose "intuitive" approach to financial planning included deciding on an entrance fee increase while holidaying in Lanzarote this year, insists that innovations are a means to an end. "All we want to do is make sure the show exists and continues," he said.

Stockbroker and merchant bank to merge

By Ian Hamilton Fazey, Northern Correspondent

HENRY COOKE Lnmsden, which has its headquarters in Manchester and claims to be the largest stockbroker outside London, is to merge with Edington – the merchant bank it helped found in 1986.

The new group will then go pnblic and expand, seeking market leadership in corporate and individual financial services outside London.

Refuge Assurance, a shareholder in both the stockbroker and merchant bank, will have an 8.9 per cent stake in the new company, to be called Henry Cooke Gronp. Refuge, with its head office in Cheshire, is also a major player in the expansion of financial services in the regions.

The new gronp's plans include running share-dealing services for two as yet undisclosed hnilding societies and expansion across the Pennines. There will also be a push on corporate financial and stockbroking services.

Henry Cooke has until now resisted moving into Yorkshire on the grounds that local knowledge and management are vital. It claimed it could not find a suitable locally-based partner, even though Yorkshire professionals have long bemoaned the absence of a similar depth of non-London, regionally-based service.

This gap in the northern market is being filled increasingly by BWD Securities, formed in April when tha Huddersfield stockhroker Battye Wimpenny and Dawson went pnblic via the unlisted securities market – the first UK stockbroker to do so.

BWD announced 10 days ago a £500,000 deal with Yorkshire Building Society. The society will take 4.9 per cent in BWD, funding the issue of share-dealing cards to the society's customers, who will then have direct access to BWD dealing rooms. If initial signs are good the society has an option on a further 15 per cent of tha equity, for just under £2m.

BWD also became involved in investment banking this year when it took over over Capital for Companies, a Leeds venture capital specialist which has been highly successful in Yorkshire-based funds operating under the business expansion scheme.

Both BWD and Henry Cooke also run successful unit trusts. BWD's, the Yorkshire General Trust, puts three-quarters of its funds into Yorkshire-based companies. Henry Cooke'a trusts are run under the Arkwright banner.

With most other regional stockhrokers being absorbed by larger, usnally London-based, financial groups to provide wide networks of services across the UK, both Henry Cooke and BWD are likely to exploit their regional market leadership to the full.

Councils' role 'will shift'

By Alan Pike, Social Affairs Correspondent

LOCAL anthorities of tha future will have strong chief executives – possibly elected rather than appointed – and will charge businesses for their services, Mr Noel Hepworth, director of the Chartered Institute of Public Finance and Accountancy, suggests today.

The function of local government will shift from being a provider of services to that of a "stimulator, adviser and enabler," Mr Hepworth says in an Institute of Economic Affairs paper.

"The locus of power is shifting away from local government. Good staff are leaving and it is facing increased competition in the delivery of services."

However, there was scope for councils to experiment with new forms of administration.

"Local government is on the defensive, but in reality significant opportunities have opened up which will relieve it of the burden of day-to-day management of services."

What Future for Local Government. IEA, 2 Lord North Street, London SW1P 3LB. Free.

SDP view on power 'risk'

By Charles Hodgson

ENHANCED competition resulting from privatisation of the electricity industry has great potential for consumers, an energy policy paper from the Social Democratic Party says today. It adds, however, that competition could be undermined by plans to give control of the National Grid to privatised area boards.

The policy paper says the Government was right to remove the grid from control of the Central Electricity Generating Board.

It adds, however, that joint ownership hy area boards "runs the risk of permitting, if not actually encouraging, collusive behaviour on the demand side of the market."

Tha SDP says the grid should remain in public ownership to simplify regulation and ensure fair competition.

The paper criticises the Government's insistence that 20 per cent of electricity generating capacity should coma from nuclear fuel. If nuclear power is not economically viable, the Government should support it by an overt subsidy.

Sales of commercial vehicles 'increasing faster'

By Kevin Done, Motor Industry Correspondent

THE PACE of growth in UK commercial vehicla sales accelerated in July with an increase of 19.87 per cent to 15,332 units from 12,790 units a year ago.

For the first seven months sales have jumped by 11.01 per cent to 191,003 units, and sales for the full year are on course to exceed last year's record of 312,730 units.

Imported vehicles took 31.85 per cent of the traditionally small July market compared with 32.56 per cent a year ago, but over first seven months importers benefitted most from the booming market.

Their share rose to 39.18 per cent from 36.55 per cent in the comparable period last year, according to figures from the Society of Motor Manufacturers and Traders.

In the truck market above 3.5 tonnes Leyland DAF, the UK subsidiary of DAF of the Netherlands, closed the gap slightly in July on Iveco Ford, the Italian/US-owned joint venture and the UK market leader.

For the first seven months it is still trailing by more than two percentage points, however, with a market share of 22.5 per cent compared with the 24.7 per cent captured by Iveco Ford, which was formed in 1986 through a merger of Ford's UK truck oparations with Iveco, the commercial vehicles subsidiary of Fiat.

The small UK-based heavy truck producers ERF, Seddon Atkinson (part of Enasa of Spain), and Foden (part of Paccar of the US) hava all increased sales sharply with ERF raising its sales by 70 per cent and Foden more than doubling its volume.

Ford, which controls more than 42 per cent of the medium van market with its Transit van, has maintained its overwhelming dominance. Both Freight Rover (the UK subsidiary of DAF) and Bedford (the General Motors/Isuzu joint venture) have loet market share to a strong import challenge led by Nissan, Mercedes-Benz, Peugeot and Renault.

Ford is to increase the prices of its vans and pickups by an average of 2.5 per cent from August 15.

Sales of Bedford-badged medium vans have dropped by 20.7 per cent in the first seven months to 4,616 units.

In tha small van segment of car-derived vans, micro vans and light pick-ups Bedford has performed much more strongly, increasing its sales in the first seven months by 19.6 per cent, while its chief rival Ford has suffered a fall in volume of 6.6 per cent. With a stronger performance in July, however, Ford just succeeded in winning back leadership of the segment.

UK COMMERCIAL VEHICLE REGISTRATIONS JAN-JUL 1988

	Volume (Units)	Volume Change (%)	Share (%) Jan-Jul 88	Share (%) Jan-Jul 87
Total Market*	191,003	+11.01	100.00	100.00
Imports	74,833	+19.00	39.18	36.55
Small vans (up to 1.8 tonnes)				
Total	60,426	+5.86	100.00	100.00
Imports	17,009	+1.80	28.15	29.27
Ford	17,471	-6.59	28.91	32.77
GM (Bedford)	17,269	+19.61	28.58	25.29
Rover Group	10,550	+3.96	17.46	17.78
Renault	3,354	+15.81	5.55	5.07
Peugeot (incl. Citroen)	3,171	+10.60	5.25	5.02
Medium Vans (1.81–3.5 tonnes)				
Total	82,207	+11.18	100.00	100.00
Imports	36,369	+25.07	44.24	39.33
Ford	34,629	+10.82	42.12	42.26
DAF (Freight Rover)	9,863	-0.05	12.00	13.35
Renault	8,249	+16.65	7.60	7.25
Nissan	5,931	+53.93	7.21	5.21
Mercedes-Benz	4,704	+32.13	5.72	4.81
Peugeot (incl. Citroen & Talbot)	4,681	+29.67	5.69	4.88
GM (Bedford)	4,618	-20.70	5.62	7.87
Trucks (over 3.5 tonnes)				
Total	37,175	+15.57	100.00	100.00
Imports	14,926	+18.42	40.15	39.18
Iveco Ford	9,181	+31.59	24.70	21.69
DAF (Leyland DAF)	8,350	+10.55	22.46	23.48
Mercedes-Benz	5,494	+25.75	14.78	13.58
Volvo	3,742	+13.91	10.07	10.21
Renault (RTI)	2,646	-10.90	7.12	9.24
ERF	2,042	+70.45	5.49	3.72

*includes buses and light four wheel drive utility vehicles

Source: Society of Motor Manufacturers and Traders.

MP urges selective internment

By Charles Hodgson

THE BRITISH and Irish governments were urged yesterday to introduce selective internment on both sides of the border after an npsurge in IRA activity last week in which five people were killed and several were injured.

Mr Ken Maginnis, the Ulster Unionist MP, claimed that the people who shot dead two Protestant building workers in County Fermanagh on Thursday night were part of an IRA unit operating out of Donegal in the Irish Republic.

Mr Maginnis called on Mr Charles Haughey, the Irish Prime Minister, to consider introducing selective internment of suspected terrorists in the Republic. Such a move would make it easier for Mrs Thatcher to reintroduce internment in the Northern Ireland, he said.

Mrs Thatcher has already ruled out reintroducing internment as an "immediate option" despita increased pressure from Unionist MPs and tha Northern Ireland Police Federation.

A Northern Ireland Office spokesman confirmed last night that internment was not under consideration hut added that the policy was "always under review."

It is widely regarded to be politically unacceptable for Mr Haughey to consider internment. Both governments are understood to regard internment as counterproductive and argue that past experience has shown it to be ineffective in curbing terrorist activity.

A return to internment in Northern Ireland could also jeopardise the future of the Anglo-Irish agreement, due for review in November. Both governments have recently stated their satisfaction with increased cross-border cooperation and consider further collaboration to be the key means of curbing IRA activity.

Tory group call for charge limit

By Charles Hodgson

THE money raised hy the Government's community charge should be spent only on locally provided and financed services enjoyed directly by all, according to an editorial in the latest issue of Crossbow, the quarterly journal of the Conservative Bow Group.

It suggests that the present estimated level of community charge payment could be halved by isolating locally-provided services such as roads and refuse-collection, thereby defusing much opposition to the charge.

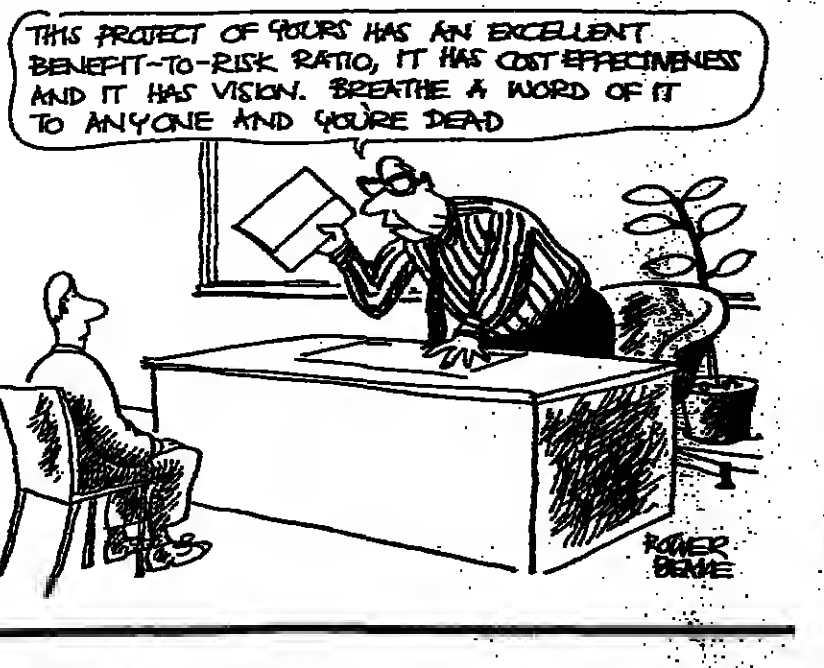
Other services such as education and social services which are not used by all charge payers could be charged for at the point of use, it says.

MANAGEMENT

Investment

How the group can challenge management's strategic choices

Clive Wolman analyses a series of fly-on-the-wall studies on the extent to which large companies influence the decision-making processes of acquired subsidiaries.



The way in which the managers of Britain's large conglomerates make multi-million pound investment decisions is the subject of three comparative "fly-on-the-wall" studies carried out by the London Business School.

The studies go into unprecedented detail. And they are unusual in combining observations and insights into how managers in organisations work (or fail to work), together with a financial/economic analysis which raises wider issues about the workings of the financial system over the past decade.

The questions raised include:

●How can a group head office of a conglomerate add any value to an organisation which has little or no synergy between its different operating divisions? This is the question posed by the corporate raiders in the UK and US who have been seeking to break up conglomerates and sell off their component parts.

●Does the remoteness of the group board directors from the operating businesses mean that they are constantly having the wool pulled over their eyes? Do they tend to approve investments in high prestige projects or ones which give their divisional managers or themselves the most scope for personal empire building rather than those with the greatest economic value or even ones which fit into their pre-conceived strategy?

●Alternatively, does top management stifle initiatives from below by excessive scepticism and second-guessing the divisional managers?

●How much do managers make use of the theoretically correct methods of appraising investments, in particular of discounted cash flow analysis? Do they pay no more than lip service to the figures that emerge? If not, is there any other benefit to be gained from the analysis?

Three of the four researchers are connected with London Business School; Paul Marsh, professor of management and finance, Patrick Barwise, a senior lecturer in marketing, and Kathryn Thomas, a management consultant who is attached to the LBS Centre for Business Strategy and who carried out most of the field work. The fourth researcher was Robin Wensley, professor of strategic management and marketing at the University of Warwick.

The three companies were selected from a shortlist of 10 that were approached in 1983. The research, conducted between 1984 and mid-1986, comprised watching and taping the formal and informal meetings between the managers when they discussed the project and interviewing them. Between 40 and 70 hours of tape was accumulated for each project. The identities of the three organisations have not been disclosed, as much to protect junior managers who were indiscreet about their superiors - and vice-versa - as to prevent the leakage of commercially sensitive information.

One company was a producer of industrial consumables which was considering a £43m investment in manufacturing capacity to produce some of its own supplies, with an optional knock-on cost of a further $100m five years later. The second was a capital goods manufacturer and service conglomerate which was considering the purchase of mechanical handling and packaging equipment which involved a £5m commitment at first rising to a maximum of £13m later. The third was a large manufacturer of fast-moving consumer goods which was deciding on a restructuring of its distribution network, costing of up to £4m.

Two of the companies were "theme" conglomerates with businesses which shared several common features, while the different divisions of the third company are linked by vertical integration. Their number of employees ranged from 10,000 to over 100,000 and each had overseas activities. The divisions of all three companies which were responsible for introducing and implementing the investment projects were originally independent companies that had been acquired by the conglomerate between six and 20 years before the period of the study. The question of whether to invest in mechanical handling and packaging had originally been considered six years previously, before the company became part of the conglomerate but the decision had been deferred. *In fact becoming part of* the conglomerate made little difference as the company would, and could, probably have invested anyway if it had remained independent.

Is the widely-held rationale for conglomerate acquisitions – that it allows smaller companies to grow, freed from the constraints of artificial capital rationing – something of a myth? Only in the first case do the researchers believe that the company, if it had remained independent, might have shied away from the investment because the capital expenditure was so large. The company would have had to finance it either by a rights issue, which would have required a detailed public justification, or by taking on a very heavy and risky burden of debt.

The most clear-cut case of where head office had a large impact on the investment decision was in the third company. The plans for the restructuring of the distribution network depended critically on complex operational details, most of which the board members and support staff at head office had to take on faith.

But the chief executive insisted that there must be a better and

Is the widely-held rationale for conglomerate acquisitions — that it allows smaller companies to grow, freed from the constraints of artificial capital rationing — something of a myth?

cheaper option. Even though the project had an internal rate of return of 22 per cent, he told the divisional project managers that the ratio of benefits to capital expenditure was too low.

His rejection of the initial proposal led to demoralisation among the project managers. But they returned to the drawing board and considered much more seriously an alternative projection that they had previously thought of but given little attention. Eventually they came up with a proposal which required only one-quarter of the capital expenditure and still yielded most of the benefits; this was accepted.

The drawback was that it had meant more than a year's delay, offered less scope for future developments and left them with less operating slack. Nevertheless, the project team was pleased with the final outcome and accepted that the chief executive had been right.

Was the chief executive just reacting to capital budgeting constraints and concerned to demonstrate to the divisional managers that he was no pushover, even though he had no deeper understanding of the possibilities and risks of the project than they did? Patrick Barwise thinks that his experience as a seasoned manager suggested to him that his subordinates had built up too much enthusiasm for the project and their critical faculties had been dulled. "Perhaps he was taking a flier, but his intuition was based on a lot of experience of the business concerned and of handling the people," he says.

On a more general point, Paul Marsh says that he started off with a bias against conglomerates, called euphemistically "large diversified companies", believing that a company is subjected to far more effective discipline through a separate stock market listing, and the threat of a takeover if its share price slumps, than by becoming part of a conglomerate.

However, he says that his experience has convinced him that head offices can make an important contribution. This is despite the difficulties they face in filling their official roles as the appraisers of competing investment projects in businesses which they cannot hope to understand well enough. These difficulties were highlighted in one company where an analysis of the project, covering 200 documents and 2,000 pages, had to be boiled down to a 60-page document for the group finance officials and chief executive and to a two-page summary for the group board directors.

But both Marsh and Wensley emphasise the more indirect benefits of head office investment appraisals. "Although projects were rarely turned down by group, the threat of rejection was taken very seriously," they say. The chief benefits were:

■In all three cases, at least one of the key decision-makers at the group level was intimately involved in the management of the relevant division and his presence made the project initiators analyse their proposals in more depth.

■The process of being questioned forced the project team to examine all their assumptions more carefully although it also made them reluctant to disclose to the group management any information other than that specifically requested.

■The group directors used the formal appraisal procedures to test the strength of commitment of the project initiators, knowing its success would depend far more on the dedication with which the project is implemented than on the sophistication of the financial forecasts.

■The group directors imposed deadlines and limits which gave the negotiators at the divisional level a useful weapon when dealing with outside contractors.

■Over the longer term, the board also influenced the organisational context in which the projects were initiated by appointing senior divisional managers, setting the organisational structure and devising systems for measuring performance and paying salaries. In the shorter term, the board directors also influence the likelihood of a project being pushed through by their appointment of a project team. In one case, a senior manager on the board explained that he had not asked the most obvious group of people to initiate and investigate the project, because he thought they would come up with too many objections and a do-nothing conclusion.

Marsh says that his experience in carrying out the study has led him to revise his own views on the role of financial analysis and to change the way in which he teaches finance courses. "The message is very anti-finance," he says. "Finance is about two per cent of the decision. What matters is innovation, producing attractive projects, and then making them happen."

Nevertheless he comments on a few finance text-book howlers. For example, one of the three investment projects involved a partial acquisition but although the company applied the standard discounted cash flow analysis to the operating returns from the assets, it failed to do likewise with the debt that it was acquiring, and instead used historic book values. The confusion between economic analysis of cash flows and accounting numbers appeared many times in the studies. The companies often failed to adjust consistently for inflation or tax when projecting cash flows. However Marsh believes that the managers often intuitively corrected for these errors by adjusting the other projections.

For the general reader or manager, the study could have been written in a more interesting and accessible form if it had described each of the cases chronologically until the time of final approval. But this would have betrayed confidentiality. Instead, a strong theoretical structure has been imposed and incidents and quotations are mentioned in isolation to support or reject a particular contention. This deprives the reader of any overall sense of how the organisations work and of the personalities and abilities of the key decision-makers. He therefore has to take it on trust that, for example, the chief executive of the third company was acting with wisdom rather than luck when he forced a re-examination of one project.

However, the reluctance of the researchers to criticise any feature of the decision-making as dysfunctional is reminiscent of the work of the functionalist anthropologists who claimed to have discovered a deeper, wiser rationale for every practice of a primitive society, from self-mutilation to violent courtship rites. Certainly any manager reading the study in search of clear-cut criticisms and prescriptions will be disappointed.

"Managing Strategic Investment Decisions in Large Diversified Companies," from Centre for Business Strategy, LBS, Sussex Place, London NW1 4SA. £10.00

Management abstracts

The changing paradigm of consulting. *R.O. Metzger in Journal of Management Consulting (Netherlands), Vol 3 No 4 87 (5 pages).*

Reviews the changing background of consulting assignments created by the increasing sophistication of company personnel (many have MBAs and may even have attended courses in consulting): large firms have reduced their reliance on consultants, or use them for briefer periods "to act as coaches rather than quarterbacks." Advises on how consultants can cope.

A successful drug-testing programme. *D.J. Petersen in Personnel (US), Oct 87 (8 pages).*

Explains why drug testing is becoming more common in US business, commenting on legal considerations and the need for a written policy. Warns of the risks of inaccurate results and suggests how to reduce them; discusses supervisor's role and recommends use of "employee assistance plans" in co-operation with the unions.

Banking on women: selection practices in the finance sector. *D.J. Collinson in Personnel Review (UK), Vol 16 No5 87 (9 pages).*

Reports research into recruitment, training and promotion practices in the banking/finance industry, with particular reference to equal opportunities. Examines the general background to the research, particularly recruitment tiering, closed promotional practices and the granting of study leave. Concludes that, while equal opportunity initiatives have taken place in the major banks, they are unlikely to have a positive effect on the position of most female employees, and there are still organisational barriers to equal opportunities – and organisational and technological changes now taking place are likely to reinforce them.

Values-oriented approach to quality. *R.J. Gilbert in Quality Progress (US), Nov 87*

Contends that too much emphasis is placed on the technological aspects of quality, e.g. statistical process control. Believes quality should be the focus of continual organisational development rather than a programme; argues that good communication and involvement is the way to better quality rather than improved technology.

These abstracts are condensed from the abstracting journals published by Anbar Management Publications. Licensed copies of the original articles may be obtained at a cost of £4 each (including VAT and p+p; cash with order) from Anbar, PO Box 23, Wembley HA9 8DJ.

CONSTRUCTION CONTRACTS

Golf course and homes in Cornish complex

ARC HOMES has completed an agreement to build 120 prestige homes at the recently opened St Mellion Golf complex in Cornwall.

The estate, which will consist of four and five-bedroomed homes, each set in half-an-acre, will border the recently opened championship 6,626 yard, par 72, golf course - the first in Britain designed by Jack Nicklaus.

Design of the homes will contain substantial elements of Cornish architectural style and use local materials such as slate and stone. Construction will start in the first week in September, and the show house will be open by Easter 1989.

ARC's partners at St Mellion, Martin and Hermon Bond, expanded their farming operations into leisure in 1973 when they built the St Mellion Golf and Country Club.

Six years ago they approached Jack Nicklaus to design a full championship course which would surround the existing eighteen hole golf-course.

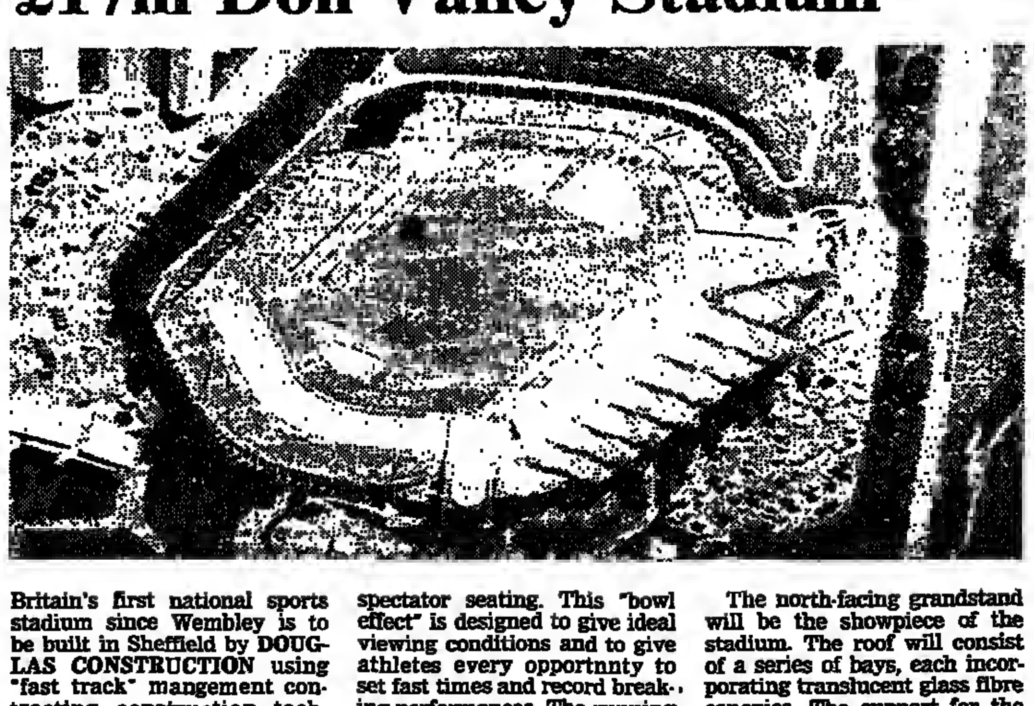
Initially reluctant because of the challenges of the site, Nicklaus eventually agreed to provide a scheme. The course was opened this year when Nicklaus teamed with Tom Watson, in a match before an invited audience of 1,000, against Nick Faldo and Sandy Lyle.

★

LOGAN FENAMEC (UK), Hull, has gained an order worth £7.5m from Gatwick Airport to make and install six tilt-tray sortation systems, six dispatch belt conveyor systems and over a hundred weigh scale/belt conveyors and associated controls.

Work starts in October this year and all phases will be completed during 1993. Logan Fenamec (UK) is part of Figgie International Inc.

£17m Don Valley Stadium



Britain's first national sports stadium since Wembley is to be built in Sheffield by DOUGLAS CONSTRUCTION using "fast track" mangement contracting construction techniques.

The £17.5m 40,000 capacity Don Valley Athletics Stadium is to be built on the site of an abandoned steelworks and its revolutionary design will make it an architectural landmark in the regenerated Lower Don Valley.

Construction work on the stadium which is being built initially for the 1991 World Student Games is to begin in October, with completion planned for March 1990. This will allow for a full season prior to the games.

The running track will be sunk four metres below ground level which will then be sheltered by surrounding banks for spectator seating. This "bowl effect" is designed to give ideal viewing conditions and to give athletes every opportunity to set fast times and record breaking performances. The running track has been positioned so that the sun will be at athletes' backs during evening competitions.

All facilities for competitors and officials are located at track level and all spectator facilities are provided at natural ground level and above, from a main concourse area.

Disabled spectators have level access from the main car park straight through to the mid-level of spectator seating.

VIP facilities are provided at level 3 and Press areas and hospitality boxes at level 4, which is the highest level of the stadium. Space is also allocated for coffee bar, restaurant, creche and other facilities.

The north-facing grandstand will be the showpiece of the stadium. The roof will consist of a series of bays, each incorporating translucent glass fibre canopies. The support for the canopies is provided by a system of Vierendeel trusses.

This is believed to be the first time an athletics stadium has used such ladder beams in this way. The trusses also mark the spectator exit lines and are incorporated in the design of the hospitality boxes.

The roof will produce a softly lit environment during the day-time. For evening and night time competitions, the canopies will be lit from below and these will be visible from a considerable distance.

The site is at present unstable with abandoned working mines and coal seams beneath the surface. It will need grouting prior to construction work.

St. James's Square redevelopment

M.J.GLEESON GROUP has been awarded a £19m contract by MEPC for a redevelopment scheme at St James's Square, London. It combines refurbishment and detailed reinstatement of two Grade 2 listed Georgian properties fronting the square, with new offices to the rear, and apartments in Ormond Yard which have been designed to help re-create the mews effect. Enabling works by Gleeson have started.

The scheme gets underway this month and will take two years to complete. Nos. 11 & 12 St James's Square - which will continue to provide office accommodation – both have internal as well as external listing. Parts of the interior of No.11 are by Robert Adam. The facade of No.11 to be reinstated to the *Adam facade* of 1774. Internally, Gleeson will renew the floor, wall and ceiling finishes, replace the electrical and mechanical services, and install a staircase.

This refurbishment will have to be specially phased. Grindlay's Bank occupies No.13 - the rear of which is to be demolished. After initial work has been completed at Nos.11 & 12, bank staff will move next door temporarily. The rear of No.13 will form part of the eight-floor 62,000 sq ft of high-technology offices. A feature is a central atrium linking No.11 & 12 St James's Square to the new building. This has been designed to blend the old properties with the new. *Superstructure for the office block* will be of steel-framed construction acting compositely with thin in-situ concrete slabs on permanent formwork. Glazed curtain walling is likely to be used externally.

The six two-bedroom luxury residential apartments in Ormond Yard will be built in an adjacent three-storey mews-style block served by lifts. Of brick construction with concrete floors, there will be security systems and cable TV facilities. Access to parking is via Ormond Yard. Spaces for 22 cars are to be provided in the basement of the offices

DIARY DATES

Trade Fairs and Exhibitions: UK

August 12-13
Cash and Carry Fashion Fair (01-727 1929)
Kensington Town Hall

August 14-18
Gifts Fair (0395 272010)
Hove Town Hall

August 16-18
Home Entertainment Dealer Show – HEDS (021-780 4171)
NEC, Birmingham

August 18-21
Antiques Fair (0444 459917)
Kensington Town Hall

August 21-24
International Jewellery Exhibition (0935 20721)
Business Design Centre

August 27-29
Town and Country Festival (0203 696969)
Kenilworth

August 28-31
International Menswear Fair – MAB (01-437 8754)
Earls Court

September 16-24
British Marine Industries Federation International Boat Show(0703 737400)
Southampton

Overseas Exhibitions

August 16-18
Fashion Week 01-937 8050)
Tel-Aviv

August 22-24
Nordic Fashion Fair (01-486 1951)
Helsinki

August 25-28
Office Equipment, Technology and Computer Systems Exhibition (0494 729406)
Singapore

August 30-September 1
Traffic Engineering and Road Safety Exhibition - TRAFFEX (01-636 3956)
Canberra

September 1-6
International Machinery, Factory Automation & Electronic Technical Exhibition - MECT-ASIA (0494 729406)
Taipei

September 4-10
International Autumn Fair (0375 392222)
Leipzig

September 4-8
Crystalware, China, Ceramics, Jewellery, Gifts and Furnishing Articles Exhibition - EUROPACADO (01-434 1825)
Brussels

September 6-10
Building and Construction Exhibition - CONBUILD (021-454 3385)
Sydney

September 7-9
International Autumn Fair (01-977 4551)
Vienna

September 11-18
International Autumn Fair (Zagreb 41/511-666)
Zagreb

September 13-18
International Motor Car Workshop, Service Station Equipment and Auto Spare Parts and Accessories Trade Fair (01-734 0543)
Frankfurt

Business and management conferences

August 8-11
15th International Small Business Congress (Helsinki 358 0 143833)
Helsinki

August 30,31 and September 1
Financial Times Confrences: Commercial aviation to the end of the century – Expansion in an era of accelerating change (01-925 2323)
Hotel Inter-Continental, London

September 8-9
CBI: Increasing your sales to the Ministry of Defence (01-379 7400)
Centre Point, London WC1

September 8-9
The Industrial Society: Industrial relations for new managers (01-262 2401)
Central London

September 12
CBI/Marketing Society: Mastering the market (01-379 7400)
Centre Point, London WC1

September 13
CBI Conferences: European standards – Who needs them? (01-379 7400)
Centre Point, London WC1

September 14-15
Employment Research Unit annual conference : New forms of ownership – management and employment (0222-42588)
Cardiff Business School

September 16
The Indnstrial Society: Harmonisation – A one-day seminar to examine the principles and practice of harmonising terms and conditione of employment (01-839 4300)
3 Carlton House Terrace, London SW1

Anyone wishing to attend any of the above events is advised to telephone the organisers to ensure that there have been no changes in the details published

FINANCIAL

TODAY
COMPANY MEETINGS-
Ivory & Sime, Caledonian Hotel, Prince's Street, Edinburgh, 12.15
NMC Group, Great Eastern Hotel, Liverpool Street, E.C., 12.00
Shelton (Martin) Group, Queens Hotel, City Square, Leeds, 12.00
BOARD MEETINGS-
Finals:
Compco
Howard Hldgs.
Impala Platinum
Molinare Visions
Thorpac Group
Interims:
Ansbacher (H.)
Botswana RST
Pearson
Renown Inc.
Relyon Grp.
Southampton, IOW & SOE RM Steam Packet
DIVIDEND & INTEREST PAYMENTS-
Amersham Intl. 6.8p
Brown & Tawse 8.5p
CML Microsystems 1.4p
Cape Inds. 4p
Clayhithe 2.29p
GEI Intl. 3.91p
LPA Inds. 1.4p
Mowat Group 0.5p
Pennant Group 0.2p
Powell Duffryn 13.25p
Unieys Corp. 22cts.
Whitecroft 8.05p
Do. 4.1pc. Cum. Prf. 2.05p
Wiggins Group 4.5p
TOMORROW
COMPANY MEETINGS-
Bosse Massimi Pollitt, 12, Bishop's Bridge Road, W., 10.30
Evans of Leeds, Queens Hotel, City Square, Leeds, 12.00
Hogg Robinson, Baltic Exchange, 14-20, St. Mary Axe, E.C., 11.00
Mansfield Brewery, Littleworth, Mansfield, Notts., 11.30
Scottish & Mercantile Inv. Tst., Great Eastern Hotel, Liverpool Street, E.C., 12.00
Sketchley, Rugby Road, Hinckley, Leics., 10.30
Turnbull Scott Hldgs., General Council of British Shipping, 30-32, St. Mary Axe, E.C., 11.30
Walker & Staff Hldgs., Walker House, Boundary Street, E., 3.00
BOARD MEETINGS-
Finals:
Douglas (Robert M.)
Fairway (London)
Herrburger Brooks
Huntingdon Intl.
Jackson (Wm.)
McKay Securities
Interims:
Arley Hldgs.
BAA
Capital & Counties
Continental & Industrial Tst.
Jamesons Chocolates
Kleinwort Overseas Inv. Tst.
New Tokyo Inv. Tst.
Practical Inv.
Robinson (Thomas)
Rotork
Spong Hldgs.
DIVIDEND & INTEREST PAYMENTS-
Anchor Intl. Fd. 16.31cts.
Burns-Anderson Group 1.75p
Fleming Universal Inv. Tst. 1.5p
Halifax Building Society Fltg. Rate Ln. Nts. 1994 £106.52
Ivory & Sime 4.5p
Reed Intl. 6.5p
Royal Bank of Scotland Fltg. Rate Nts. 2005 £105.25
Scottish & Mercantile Inv. Tst. 3.2p
Do. A N/Vtg. 3.2p
Sketchley 13p
Staveley Inds. 4p
Turnbull Scott Hldgs. 13p
Do. N/Vtg. A 13p
WEDNESDAY AUGUST 10
COMPANY MEETINGS-
Bristol Evening Post, Temple Way, Bristol, 12.00
BOARD MEETINGS-
Finals:
BOC Group
Beales (John)
Cray Electronics
Property Security Inv. Tst.
Wholesale Fittings
Interims:
British Alcan Aluminium
Commercial Union Assurance
Foreign & Colonial Inv. Tst.
GKN
General Accident Fire & Life Assurance
Hambros Currency Fund
Intl. Thomson Org.
Novo Inds.
Ultramar
DIVIDEND & INTEREST PAYMENTS-
American Express 19cts.
BAA 4.25p
Baggeridge Brick 1.25p
Bristol Evening Post 8p
Citicorp 37cts.
Conversion 9½pc. 2001 4¾pc.
Cropper (James) 1.45p
Edbro 6.5p
Hoskyns Group 0.9p
LandLeisure 5.5p
Mansfield Brewery 5.75p
Microgen Hldgs. 2p
Renold 1p
Salvesen (Christian) 2.6p
Security Archives 2.4p
Walker & Staff Hldgs. 2.5p
THURSDAY AUGUST 11
COMPANY MEETINGS-
Batleys, George Hotel, Huddersfield, 12.00
Beaverco, Swallow Hotel, South Normanton, Derbyshire, 12.00
Castings, Post House Hotel, Chapel Lane, Great Barr, Birmingham, 3.30
Cohen (A.), 8, Waterloo Place, St. James's, S.W., 12.00
E.R.F. (Hldgs.), Chimney House Hotel, Congleton Road, Sandbach, Cheshire, 2.30
Fobel Intl., Eastgate House, 28-34, Church Street, Dunstable, 11.00
Health Care Services, Royal Society of Medicine, 1, Wimpole Street, W., 4.00
Somic, Last Drop Hotel, Bromley Cross, Bolton, 12.00
BOARD MEETINGS-
Finals:
Mosaic Invs.
Nordic Inv. Tst.
Interims:
British Petroleum
Dawson (William)
Mersey Docks & Harbour
Metal Bulletin
Royal Dutch Petroleum
Shell Transport & Trading
Smith & Nephew
USDC Inv. Tst.
DIVIDEND & INTEREST PAYMENTS-
Amber Industrial Hldgs. 7.75p
Apricot Computers 1.5p
Banco Nacional De Mexico Fltg. Rate Sub. Nts. 1992 $180.1
Carless 1.75p
E.R.F. (Hldgs.) 7p
Midland Bank Sub. Fltg. Rate Nts. 2001 £107.30
National Westminster Bank Prim. Cap. FRN (Series B) $357.05
Newman Tonks Group 3.4p
FRIDAY AUGUST 12
BOARD MEETINGS-
Interims:
Alliance Tst.
Ayrshire Metal Prods.
Butlers
Takare
DIVIDEND & INTEREST PAYMENTS-
Anglia Television 2.35p
Caledonia Invs. 4.5p
Caradon 5.5p
Castings 3.6p
Chase Manhattan Corp. Fltg. Rate Sub. Nts. 2000 $193.26
Chemoxy Intl. 3.8p
Exchequer 11pc. Ln. 1990 5½pc.
Export-Import Bank of Korea Fltg. Rate Nts. August 1990 $3507.29
First Chicago Corp. Fltg. Rate Sub. Cap. Nts. Feb. 1997 $196.48
Fleming American Inv. Tst. 0.33p
Harrisons Malaysian Plants. Berhad 6sen.
Hobson 0.5p
Home Federal Savings & Loan Assoc. 5cts.
Hunting Group 4p
Shelton (Martin) Group 1.5p
Somic 2.25p
Sterling Inds. 2.4p
VPI Group 2p
Watergiade Intl. Hldgs. 2.5p
Watson & Philip 2.65p
Wells Fargo Fltg. Rate Sub. Cap. Nts. 1998 $194.86
SATURDAY AUGUST 13
BOARD MEETINGS-
Interims:
BSR
DIVIDEND & INTEREST PAYMENTS-
M. & O. European & General Fund 0.7p

Architecture

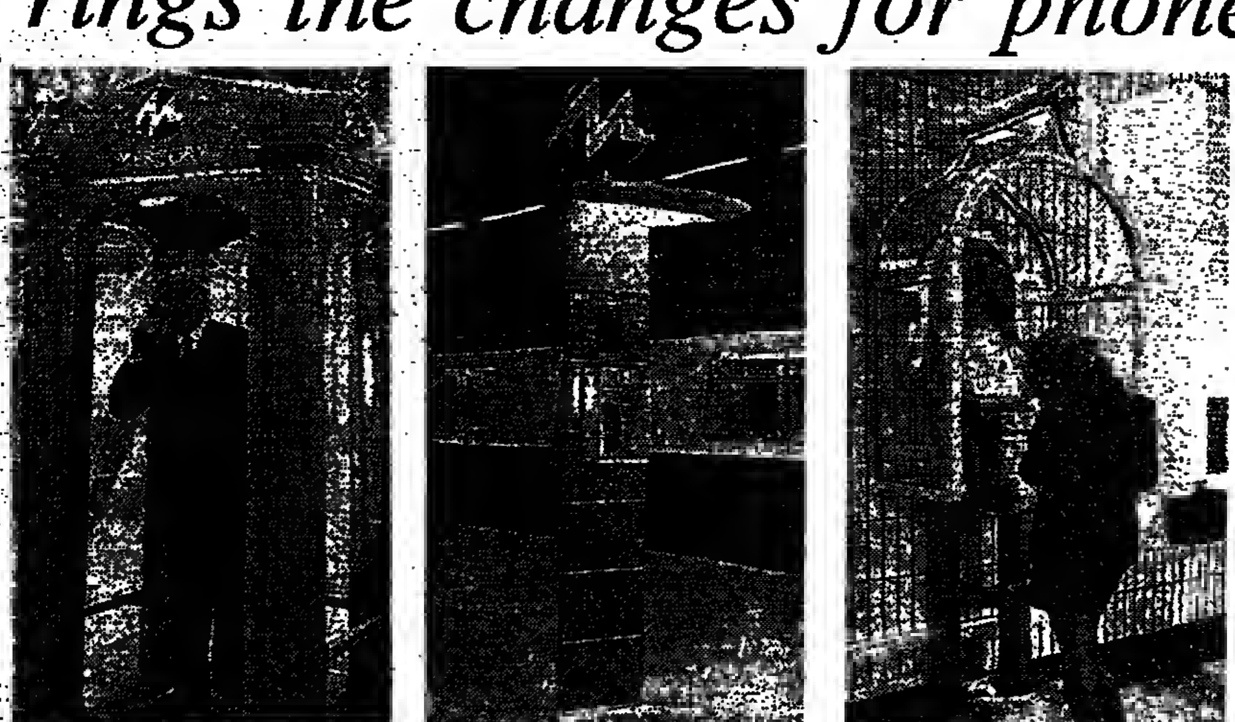
Mercury rings the changes for phone boxes

You may telephone from here. Like giant coffins, all over the kingdom they are being carted away. The death of the old telephone boxes is curiously symptomatic of our highly temporary view of civilised design values. When the GPO, as it was then, held a competition for the design of a new telephone kiosk in the 1920s, it seemed perfectly natural that it was won by Giles Gilbert Scott.

He came first in the competition in the year of his knighthood and just after the consecration of his masterpiece, Liverpool's Anglican cathedral. It is interesting to consider that the architect of a great cathedral did not consider it demeaning to tackle the problem of street furniture. He naturally applied the architectural values and design standards that he had learned and inherited to every project both large and small. There would have been no question then of going to a "designer" or a firm of "design consultants."

These reflections upon the minor master work of the late Sir Giles Gilbert Scott (1880 – 1960) are prompted by the current attitudes to design matters of two new and potentially great companies — Mercury Communications Limited and British Telecom. Both these companies will be building telephone kiosks around the kingdom. British Telecom has already made a considerable impact in a sadly negative way by their decision to cart away, sell or destroy some 59,000 of the familiar red telephone kiosks — nearly all of them versions of the Giles Gilbert Scott original, although some of them are the 1968 version of the red kiosk designed by Bruce Martin and looking rather like a vertical aquarium.

What are the virtues of the Scott design? The telephone box was a very architectural object with the permanence and dignity of a small temple. The shallow domed latern owed a distinct allegiance to the forms of Sir John Soane. The proportions of the glazing followed the rules of the "golden mean." The design was originally produced in two sizes, large and small. They stood about, sometimes in pairs, like married couples. Made of cast iron and weighing about a ton they were built to last. Scott simplified his first design (known as the K2, 1924-7) and produced in 1935 a simplified design called the Jubilee K6.



The Mercury designs: the "classical," the "communications totem" and the "conservatory"

Scott produced such pure and good designs for street furniture. His "No Entry" signs were boxes on fluted columns topped by elegant lanterns. The important thing about all his work and the official attitude of the time was that it was classical in the best sense. Designed and made to last and inventively adapting the known and hallowed architectural principles.

What can be said about the latest telephone boxes? Mercury Communications have unveiled three types of kiosk which will, according to the official publicity, "enable aesthetic considerations to be taken into account at every location." The company does not wish to impose one design. Is this in fact true? I suspect that the muddled and worrying state of architecture and design in this country has made it hard for the company to chose one clear solution.

The three designs, art deco, designed by Fitch and Company, "classical," designed by John Simpson and Partners, and a conservatory type by Machin Designs — of garden greenhouse fame — working with an architect, Terry Farrell, comprise the range.

Fitch and Company have produced the worst design of the three. They describe their model as. . . wait for it. . . "a communications totem." It is a kind of rusticated pole with a telephone fixed to it and a sort of canopy that looks like the shelters used by policemen to keep the hot sun off them in the streets of Kuala Lumpur.

The Machin Designs version is a like a modest Gothic niche designed in clear glass. Against a wall it looks like an Edwardian tepidarium without the plants. John Simpson has attempted something more monumental with his four columned, pedimented design in blue and silver, but it has to be said that it is not as good as the Giles Gilbert Scott original.

The standard British Telecom version is an American design — a standard glass box with the bright yellow logo and flashing. It is uninspired and does not look as if it will weather well. In fact, by the seaside in Hastings, this version is already the victim of serious rust.

I think that the weakness of all the new designs is that they fall between two stools. They are not sufficiently well engineered to be technologically perfect forms (in the way, for instance, that a Concorde aircraft is). They are not sufficiently architectural to have the power and the presence they need in both town and countryside.

This latter point has come about because of the involvement of designers who are totally influenced by graphics and not by forms. The design consultant is producing, all over the country, the kind of childish fashionable graphics that symbolise the retail revolution, but which are transitory in terms of serious design values. The telephone box now joins that transitory world of ephemeral fashion, when before it was a distinguished element in all our towns, villages and cities.

Colin Amery

Rare concertos

ALBERT HALL

Busoni's monumental Piano Concerto, played on Friday by Peter Donohoe and the BBC Symphony under Mark Elder, will surely come to be remembered as one of the outstandingly valuable revivals of the 1988 Proms season.

Everything about the experience guaranteed memorability. The hall itself always places massive musical structures in an advantageous light; and there was about the whole performance an air of determined advocacy, of belief in a work whose size and length are legendary but whose actual sound is seldom heard in the concert hall, such as mark the most rewarding musical explorations.

Has the work's time come at last? It has never lacked admirers in the past (John Ogdon's performance on record should not be forgotten); nor has it gone short of detractors — the phrase from a Busoni essay by Alfred Brendel, "monstrously overwritten," can stand for the judgment of many others.

What was brought out by the Donohoe-Elder account of the mighty five-movement structure on Friday, and no doubt emphasised by the Albert Hall ambience and acoustical patina, was the Mahlerian grandeur of the groundplan.

Mahler, indeed, is constantly invoked by the confrontation of the metaphysically weighty (grandly based paragraphs such as the first and third, broad and noble in conception and execution) and the demotic (the scherzo-type intervening movements based on popular tunes). The use of a male chorus (the BBC Singers, wonderfully ushered in from on high) in the finale certainly encourages Mahlerian parallels — even though others from Liszt's *Faust* Symphony seem just as appropriate.

Not everything about the work persuades the listener of its unarguable rightness in a single hearing. The piano part, which combines magisterial post-Brahmsian breadth with gossamer fleetness, appears to be given the role not of orchestral confronter and combatant, but of mediator of ideas and material.

This element is achieved with a total command of style — in the such things as the surge of the opening movement, it is at once Busoni the composer and Busoni the virtuoso pianist who confidently addresses the audience. However in later movements, particularly the long, slow central *Pezzo serioso*, the snaking chromaticism of the invention, typical of the later Busoni, takes the listener into a more secretive, private world than that postulated by the scale of the music.

I felt on Friday, as I have done in the past, an imbalance of form and content somewhere at the heart of this splendid edifice. None the less, now that Mr Donohoe has learnt to encompass it with such magnificent and tireless authority, such incredible technical address (measured at the lighter end of the spectrum by the most wonderful crystalline fingerwork), I should like more frequent opportunities to put that impression to the hard test.

Further BBC performances under Mr Elder should also permit the orchestra to polish up those passages in the later stages where string and wind intonation was starting to droop in matters of tempo control and variation the layout of the performance had already been mastered. A repeat, please, as soon as possible!

BARBICAN HALL

At the Barbican on Saturday evening, the *Summer in the City 1988* enterprise gave house-room to a Royal Philharmonic concert of 20th century English music whose unusual feature was a revival of Britten's Violin Concerto (1940). This is a work occasionally heard, but not as often as its peculiar genius warrants: the finest of all in the long final Passacaglia, the creative ambiguity of Britten's personality — the virtuosity and beauty of the musical sonority, the intricate, complicated quality of the musical "message" — finds one of the most gripping forms of expression in his entire musical output.

In truth, it needs a violinist more reliable in matters of accuracy and tuning than the sympathetic Ernst Kovacic, and a more distinctively hard-edged orchestral support than provided by the RPO under Charles Groves (standing in at the last moment for the ailing Vernon Handley). All the same, a decent amount of the work's strange lyrical intensity came across.

Max Loppert

Don't Go Away Mad

DONMAR WAREHOUSE

The late William Saroyan would have celebrated his eightieth birthday this year. As a playwright his reputation veered as unpredictably as his characters' behaviour. After *My Heart's in the Highlands* established his whimsical theatrical voice in 1939, Group Theatre performed his biggest success, happily revived recently by the RSC, the Pulitzer prize-winning *Time of Your Life*. He never recaptured the winning formula.

Wilfully unconventional in construction, his plays tread the tightrope between almost surreal humour and sentimentality. One unexpected advantage of Keith Hack's rather plodding if earnestly worthy production of this 1949 hospital drama is that grimness keeps droll eccentricity at bay. The drawback is that the unremitting dourness of a medical profession whose mortality rate compares unfavourably even with Mrs Thatcher's NHS tends towards the monotonous, except when the death toll begins to take on the air of *And Then There Were None*.

In an eventful 24 hours in a San Francisco hospital we meet patients obsessed by going, quietly or not, into that good night. Chinese Andy Boy (David Yip) begins to read the dictionary aloud to black, embittered Greedy (Stefan Kalipha) who is out to acquire understanding after a life hungry for money, food or women. He is devastated when his friend dies on the operating table. Brick (Philip Joseph), a powerful young man bursting with pent-up anger, finally cuts his wrists. A new admission vanishes to kill the man who stole his wife and adored son before returning to take over the task of elucidating the dictionary. To the others' delight and increasing excitement, "abide" is followed by "ability"; and we leave them with a sense of purpose and pride.

Kneading the group together and providing each individual with a reason for living is Georgie Porgie, rapidly going blind. He preaches hate, but his actions are those of love. He gives his last valuable possession, his ring, to the humiliated little man so that the latter can glimpse his son for the last time — and possibly murder his rival; a sort of existential Happy Prince.

The American Michael Moriarty sums up the virtues of transatlantic acting at its realistic best with the apparent relaxed naturalism that in fact stems from fierce discipline. He convinces in physical pain, tapping his feet or drumming clenched fists on his knees; and manages to inject moments of lightness into the general dolefulness. He flags only when, after two and a half hours, he has to give the others a résumé of what the audience already knows. But his conviction steers us quickly over what might be unintentionally ridiculous passages of excessive misery or head-on symbolism. A powerful and distinguished performer.

The play is uniformly well acted, down to Fred Pearson's authentic accent as an old Mozart-obsessed Greek, Nick Edmett's janitor and Barrie Houghton's despised husband. This shabby little figure in its absurd red toupée can express hurt and grief, the drawn face ugly with despair, standing in eloquent stillness; and like Mr Moriarty should grace our theatre much more.

Martin Hoyle

La Bayadere

BUSINESS DESIGN CENTRE

The Kirov Ballet's divertissement programmes at the temporary but efficient theatre in Islington have brought moments of extreme theatrical excitement in recent days. Makarova's return to her parent troupe on Saturday night was, of course, heart-catching in its emotion and in its sheer command of the dance. It would be hard to imagine a performance of the Odette/Siegfried duet more saturated in meaning, or more grandly a statement about the indelible and ennobling power of Leningrad schooling. Makarova yearned and aspired, her feelings — like her body — enveloping tha distinguished Konstantin Zaklinsky; and it was as if she had never been separated from the fountain-head of her art.

Different, but no less thrilling, was the appearance of Altynai Assylmuratova as Nikiya in the Kingdom of Shades act from *La Bayadere* on Friday night. As the spectral temple-dancer, Assylmuratova showed us no pale and forgiving ghost, but a majestic and commanding spirit. The dance had an insistent force, seeming to be an urgent declaration about Nikiya's sufferings in the preceding acts which have shaped this astonishing statement about her identity and, naturally with the Kirov, about the classic dance itself. Assylmuratova was here revealed as a great dancer. The technique is not extravagant, but the comprehension of style — the largeness of the movement, its subtle controls, the magnificent generosity of gesture — created images of unalterable rightness and beauty. Arm raised, with the ravishing stretch of the body seeming to lift from waist right through to finger-tips and beyond, Assylmuratova commanded the heavens. The fullness of meaning she brings to the least movement tells of an artist touched with the divine fire.

Assylmuratova was partnered by Faroukh Ruzimatov. He would seem to be ideal for the role of the warrior, Solor, in a full-length staging, but I detect slight mannerism in his reading, a reliance on extravagantly arched poses which become self-parody. The thrust of his dancing remains as vivid as ever: the danger is that he may, in order to satisfy his new legion of admirers, provide them with Ruzimatov rather than Solor.

The opening cascade of shades pouring out of the night spoke once again of the effortless rightness of Leningrad schooling; the trio of Irina Chystiakova, Irina Sitnikova and Zhanna Ayupova was superb, and if the golden apple must be awarded, let it be to Chystiakova for holding up the jewel of her solo to the light.

The centre of tha evening was given over to what the programme called "contemporary choreography." Extracts from Oleg Vinogradov's recent *Knight of the Tiger Skin* — which deal with the mediaeval Georgian poet Chota Rustaveli — proposed a sculptural plastique; the duet from Roland Petit's *Notre Dame de Paris* found Sergey Berezhnoi as Quasimodo being comforted by Galina Mezentseva's Esmeralda, in a scene given credibility by Kirov style; and to the *Crucifixus* from Bach's B Minor Mass, Olga Chenchikova and Yevgeny Neff were trapped in an insufferable chunk of Bejartery, dancers and ballet itself equally crucified. The other items — an adagio by Boris Eifman for Yevgeny Neff, which looked like a clinical study of *delirium tremens*, and a jokey duet by Dmitry Bryantsev for Chystiakova and Zaklinsky, which turned the gold of their talents to lead, defeat further comment.

Friday's programme ended with a version of the third act of *Sleeping Beauty*. It was not happily cast, save in a radiant quartet of fairies, and on the Kirov's next visit we need to see the full ballet to savour the glory of the production.

Clement Crisp

Antony Sher and Estelle Kohler

Pink Floyd

WEMBLEY STADIUM

For anyone who has thought rock has been getting too far above its station of late, trying to feed the world's hungry and working to free its political prisoners, the return to these shores of Pink Floyd must be reassuring. The re-formed group arrived at Wembley on Friday, trailing clouds of glory from a year-long world tour built around its latest album, *A Momentary Lapse of Reason*, for a show which must have gladdened the hearts of the faithful as much as dampen the spirits of all who hoped the days of self-absorbed indulgence had gone forever.

The Pink Floyd which is on the road now contains two of the band who ceased performing in 1983, Dave Gilmour and Nick Mason, and another former member, Rick Wright. Tha other founding father, Roger Waters, is deep in litigation with his former colleagues over their continued use of the name. The show involves 11 musicians and mixes old and new Floyd: the latest album is the *focus* of the first half, a medley of old favourites — "Money", "Wish yon ware here", "Another brick in the wall" — follows in the second, and the whole is counterpointed, of course, by a spectacular light show.

What looked to be a flying squid was sent careering into the farthest recesses of Wembley early on, and the second half was heralded by what appears to be the leitmotif of the latest album, a hospital bed descending to the stage.

However for a group which has been perfecting its act for almost 20 years, the rate of musical avolntion seems to have been unnaturally slow. Advances in stage technology have been diligently absorbed, and with it the last traces of individuality eliminated. Plodding harmonies, unstressed vocal lines and coarsened textures create an anonymity which paradoxically carries its designer label like a badge. The package — sounds, lights — is the thing, and unless one can suspend disbelief and surrender to its blowzy charms, it seems now woefully dated.

Andrew Clements

Hello and Goodbye

ALMEIDA

The RSC has opened a short season at the Almeida in Islington, the venue where the "Not the RSC" festivals have anjoyed past success. Their opening card is a star-studded two-hander by a popular writer; for new and possibly more abrasive work we must wait until later this week.

Meanwhile Athol Fugard, Sonth Africa's best-known playwright, launches the cycle with his confrontation between reunited brother and sister, after years of absence, one sweltering night in Port Elizabeth.

Tha brother has spent his adult life looking after a crippled father. The sister sweeps back determined to claim her share of the compensation she assumes the old man received for injury sustained in a working accident. It transpires she has become a prostitute; her throbbing resentment of the hypocrisy of respectable society and her ferocious yearning for the freedom money will bring are finely expressed by Estelle Kohler.

The brother is played by her fellow South African, Antony Sher. As ever a very physical actor, Mr Sher convinces emotionally as well — not always the case; but then his roles don't always demand anything more than comic-strip garishness.

This is a vivid depiction of how parental obligations turn to obsession, then fungoid entrapment, then osmosis. The son ends up hobbling around with the old man's comforting crutches.

A kind of suspended childishness characterises Mr Sher's Johnnie, from his almost simple-minded jokiness to his delighted cry, when his sister falls under the spell of nostalgic recollection, of "You've forgotten what yon're looking for!"; as if she too could join him in warding off reality for a while.

The bulk of the action consists of the couple's rummaging through their father's effects in search of the money; the fact that the old man is recently dead and buried is kept from the woman until the end of the play.

Both players pull ont the stops as they pull out the past, thongh this occasionally means blundering into the furniture on Louise Belson's three-walled set — so convincing you can almost smell Johnnie's unemptied slop-pot, but a trifle cluttered.

Janice Honeyman's direction gives the acting its head, which may be why the final impression is that of a bravura display rather than a heartfelt, harrowing account of the past, though Miss Kohler does convey the cathartic impact of coming across her youth in old photographs and in her mother's old clothes with their characteristic perfume.

The play is about degrees of resignation, how one embraces the inevitable, and the performers do it proud.

Martin Hoyle

Festival in Lisbon

The educational division of the Calouste Gulbenkian Foundation is organising its second New Theatre/Dance in Europe festival.

It will take place in Lisbon from September 7-17 and will be called *Encontros Acarte 88*.

Eleven companies from seven countries will participate, presenting 27 shows.

The festival will include the world premières of two plays by Heiner Müller, "fado" (Portuguese folk songs) and jazz concerts.

ARTS GUIDE Aug 5-11

MUSIC

London

Lyons Opera Orchestra, conducted by John Eliot Gardiner, with François-René Duchable (piano) and Zoltan Toth (viola). Bizet, Fauré, Ravel and Berlioz. Royal Albert Hall (Mon). (589 8212).

BBC Symphony Orchestra, conducted by Matthias Bamert, with Philippa Davies (flute). Beethoven, Mozart and Schönberg. Royal Albert Hall (Tue).

BBC Scottish Symphony Orchestra, conducted by Jerzy Maksymiuk, with Barry Tuckwell (horn) and Yvonne Kenny (soprano). Sibelius, Thea Musgrave, Britten and Mozart. Royal Albert Hall (Wed).

BBC Scottish Symphony Orchestra, conducted by Jerzy Maksymiuk, with Margaret Marshall (soprano) and Christine Cairns (mezzo-soprano). Felix Mendelssohn, Gerhard and de Falla. Royal Albert Hall (Thursday).

Paris

Maria-Cecilia Farina (organ). Frescobaldi, Scarlatti, Bach. Saint-Severin Church (Mon 8.30pm).

Quatuor Bomsel. Haydn, Arriaga, Mozart. Auditorium des Halles (Tue 7 pm).

Veronique Dietchy (soprano). Scarlatti's instrumental compositions Salve Regina; Stabat Mater. Saint-Severin Church (Wed 8.30 pm).

All the above are part of the Festival Estival (48.04.98.01; answering machine in English round the clock 47.20.28.88.98).

Amsterdam

National Youth Orchestra of the Netherlands, conducted by Adam Gatehouse. Bruckner (Tue); Heinrich Schiff, cello: Bach (Thur). Concertgebouw (718 345).

William and Mary candlelight concerts, Gustav Leonhardt, organ: Sweelinck, Van Noordt, Byrd, Bull, Tomkins, Blow, Purcell (Mon). The Sixteen Consort under Harry Christophers: Purcell (Thur). Nieuwe Kerk, Dam Square.

New York

Mostly Mozart Festival. Cleveland Quartet, with Emanuel Ax (piano) and Paula Robinson (flute). Mozart, Mendelssohn, Schumann (Mon).

Mostly Mozart Festival Orchestra, conducted by Hermann Michael, with Emanuel Ax (piano), David Shifrin (clarinet). Rossini, Mozart, Schubert (Tue, Wed). Avery Fisher Hall, Lincoln Center (874 2424)

Juilliard Concerts. The Daphnis Trio. Bach, Pachelbel, Fauré. (Wed 12.30 mat). Free concert at IBM Atrium (56th & Madison).

Washington

Wolf Trap Festival. Popular Music Concerts this week include Ray Charles (Mon) and a Soviet-American jazz combination of Paul Winter and the Dimitri Pokrovsky Singers (Tue). Israel Philharmonic, conducted by Kurt Mazur. Beethoven, Mussorgsky, Haydn (Wed). (432 0200).

Chicago

Ravinia Festival. Louis Lortie piano recital. All-Chopin programme (Tue). Chicago Symphony Orchestra, conducted by James Conlon Zinman, with Vladimir Feltsman (piano). Mussorgsky, Rachmaninoff, Dvorak (Thur). (728 4642).

Tokyo

Hiroko Nakamura (piano), with the New Japan Philharmonic Orchestra conducted by Shigeo Genda. Chopin. Suntory Hall (Mon). (359 9755).

Tokyo Metropolitan Symphony Orchestra, conducted by Kazuhiro Ohno, with Naomi Matsui (organ). Mussorgsky, Saint-Saens. Suntory Hall (Tues). (822 0727).

Koto and flute recital by Sawai Kazue and Nishizawa Yukihiko. Vario Hall (Wed). (818 4151).

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Monday August 8 1988

Mr Baker's legacy

MR JAMES BAKER has quit the US Treasury to take control of Mr George Bush's presidential campaign with a deservedly high reputation. The US trade and budget deficits remain unacceptably high, the world debt crisis is unresolved, financial markets are fragile in the wake of last October's crash, and US inflation is on the rise again: all the same, Mr Baker is regarded as having done as good a job as was possible in the circumstances. He inherited a chronically unbalanced economy from Mr Donald Regan, his predecessor as Treasury Secretary, and has had to accept the fiscal limitations imposed by a President who would not countenance tax increases.

Mr Baker's greatest contribution lies in the field of international economic policy cooperation. He was the principal architect of an historically significant shift from freely floating exchange rates to today's regime of managed currencies. In the autumn of 1985, at New York's Plaza hotel, he persuaded the world's leading finance ministers to cooperate in a managed depreciation of the then wildly overvalued dollar. This was followed, early in 1987, by the Louvre accord in Paris, at which the finance ministers signalled that depreciation had gone far enough.

Surveillance

The currency pacts were only the visible tip of a co-ordination iceberg. Mr Baker was also the driving force behind the introduction of a new system of "objective economic indicators" designed to facilitate multilateral surveillance of economies. The use of indicators – to monitor key aggregates like growth and trade balances – was to ensure that the domestic policies of individual countries would be globally compatible. The US Treasury argued that the strains of the mid-1980s had been caused by the unwitting pursuit of inconsistent policies earlier in the decade.

The co-operation inspired by Mr Baker has certainly been effective in the short run. The depreciation of the dollar was rapid enough to disperse the protectionist clouds that were gathering ominously over Capitol Hill at the time he swapped jobs with Mr Regan. But it was sufficiently controlled to avoid the kind of financial crunch that could have tipped the world economy into outright recession. Indeed, Mr Baker's only failing has been his tendency, on occasion, to adopt too hectoring a tone with his partners. He may have helped spark off the October stock-market crash by publicly criticising West German interest rate rises.

Mr Baker's Third World debt initiative has been far less successful. The irony is that while he was able to sway foreign finance ministers, he could not alter attitudes in the boardrooms of the big US commercial banks. The US Treasury has persistently called on the banks to support World Bank and IMF programmes by lending more generously to the debtors. The banks have refused. While an outright default has been avoided, a long-term solution is still not in sight. Fresh thinking will be needed after the US election.

Momentum

At home, Mr Baker had the good fortune to occupy the Treasury while Congress was creating the most sweeping tax reform this century. The 1986 Act eliminated a host of tax shelters, scrapped corporate investment subsidies and reduced the top personal tax rate to 33 per cent. It lent momentum to a worldwide tax reform movement. The only pity is that Mr Baker felt unable to challenge the presidential ban on tax increases; had the reform included a modest increase in indirect taxes, the US might now have a budget surplus and the course of financial history would be quite different.

As it is, future US treasury secretaries will have to grapple for many years with the financial strain of being the world's largest debtor nation. They will also have to convince the world that the US has more than an ephemeral interest in international economic cooperation. In the past, Uncle Sam has shown interest in coordination only when the dollar was weak. The unanswered question is whether the US will retain its faith in the Baker doctrine of cooperation once its external accounts are fully restored to health.

The struggle for quality

WESTERN INDUSTRY has at last begun to learn what the Japanese have known for decades: that consumers value the performance and reliability of a product at least as much as its price. No self-respecting manufacturer in Europe or the US is now without a quality improvement programme.

The fashion is not yet as widespread among service organisations. But a few pioneers, notably Scandinavian Airlines, have introduced ambitious customer service programmes which have spawned a growing band of emulators. British Airways is one of the best-known.

A fair proportion of the manufacturing programmes are achieving their aim, but too many of the service sector efforts are proving at best partly successful. Having raised customer expectations of better service quality, organisations are failing to deliver it consistently. In contrast with BA, British Rail may be falling into this trap, as the contents of an official watchdog's report implied last week.

Quality circles

Among the leaders of this western quest for quality, sophistication has come a long way since 1980, when poor quality was almost invariably blamed on bad shopfloor workmanship. Many of the "quality circle" programmes introduced in the early 1980s foundered because management failed to underpin these self-organising groups of employees with action on its own part to improve design, development, manufacturing, distribution and service – all of which contribute to quality.

In the last few years such omissions have been rectified in a growing number of companies, as top management has grasped the issue of quality.

Though plenty of companies are now making the grade – at least in manufacturing – many others are failing to do so because their quality programmes lack both dimension and depth. Some of the shortcomings are listed in a new book called Managing Quality by David Garvin, a Harvard academic whose devastating study of US air conditioners in 1983 helped spark widespread remedial action right across American industry. Other inadequacies are evident from daily observation of organisational performance, especially in services.

As Garvin argues, it is often still not realised that quality management can only succeed if it is treated not as a specialist issue, but as one that must permeate every department and every level of the organisation. Nor is it sufficient just to lay down tough objectives: these must be reinforced by extensive training right down the organisation. Equally, "one-shot" programmes are wholly inadequate: quality training and retraining need constant reinforcement.

Consistency

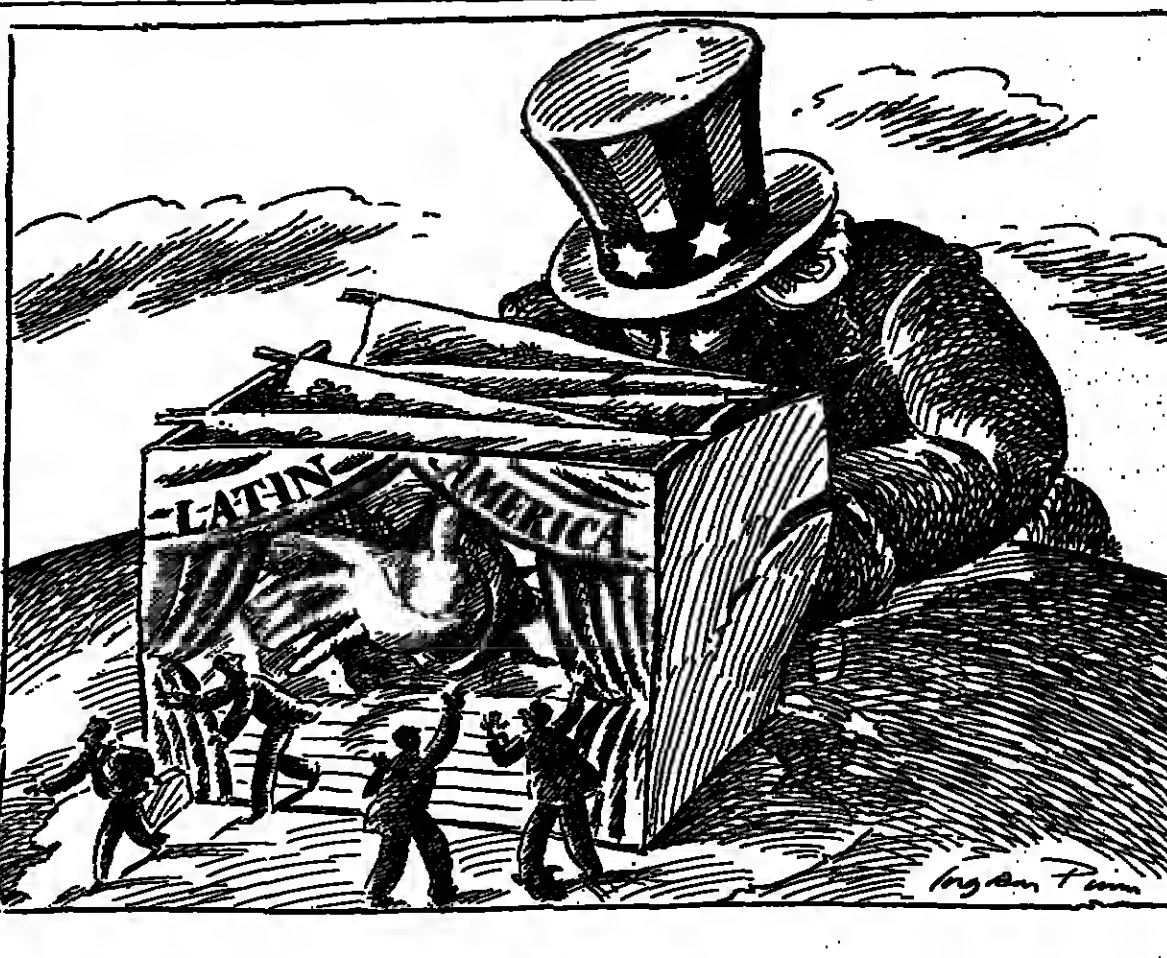
All this is difficult enough to achieve in the factory. It is far harder in service organisations such as banks and especially transport, where much of the company's quality (or lack of it) depends on small, far-flung teams of employees providing consistently effective and helpful service to individual customers.

British Rail is a prime case in point. As last week's watchdog report emphasised, the overall quality of its services has improved in recent years. But customer service – timekeeping, overcrowding, catering, public announcements, train cleanliness and so on – is still at best inconsistent and at worst downright bad.

Whatever the effects may be of past spending cuts, low pay rates, and the relatively poor standard of much front line staff, the fault lies squarely with management. BR's staff training has been neither widespread nor thorough enough to deliver consistently – or, in some cases, at all – the sort of quality of service promised by its glamorous advertising and promotion. Its executives should remember that a mismatch between expectation and performance usually proves deadly in the world of management.

Robert Graham reviews President Reagan's record in South America

When ideology holds sway



Belatedly, the Reagan Administration is attempting to do some fence-mending in Latin America. This is the message behind the current tour of the region by Mr George Shultz, the US Secretary of State, which winds up this week in Central America.

He certainly needs to do a lot of sweet-talking. Relations with the region have been soured by misunderstandings, neglect of traditional allies and profound disagreements – first over how to tackle conflict in Central America, latterly over the handling of the crisis in Panama.

The overriding sentiment among Latin American governments is that, throughout the Reagan era, Washington has been unnecessarily obsessed by the threat of Soviet and Cuban influence in Central America – to the detriment of dealing with the region's real concerns, such as the debt crisis, the consolidation of democracy, and trade issues. And nothing has made President Reagan look more foolish than the bungling of attempts to get rid of General Manuel Antonio Noriega, the Panamanian military strongman.

All this scarcely squares with the brave words of the 1980 Republican Party platform, which claimed "the Carter administration's policies have encouraged a precipitous decline in United States relations with virtually every country in the region." The platform pledged a "strong new US policy in the Americas."

In the event, Central America and the Caribbean has been the only area in global US policy under President Reagan where ideological guidelines have consistently triumphed over practical considerations. From the outset Mr Reagan watered down the Carter emphasis on human rights and set a priority on eliminating Soviet and Cuban influence in the hemisphere. The objective enjoyed bi-partisan support in Washington because the Cuban bogey had been revived by the Marxist-orientated Sandinista Revolution and the outbreak of civil war in El Salvador in 1979.

Throughout Mr Reagan's two Administrations, however, a general failure to consult allies in the region has produced precisely what the President's strategists sought to avoid – a more independent Latin American voice. It is unlikely to disappear, and could well prevent the US from exercising the influence over the region, implicit in the Monroe Doctrine, which has previously seemed its prerogative.

"The policies have been so demonstrably wrong that there will be shifts, certainly with Dukakis and even with Bush," says Professor Wayne Smith, a former State Department official now teaching at John Hopkins University. The main shift he anticipates will be a move away from the US acting alone, in an interventionist manner, to a more multi-lateral approach. The change would, of course, be more marked under Mr Dukakis, the Democratic candidate. He is a fluent Spanish speaker, who was, according to associates, deeply affected by his six months spent studying in Lima, Peru in 1954.

Throughout the Reagan years, Central American issues have absorbed the lion's share of the administration's energies and resources. Since 1980, over $6bn in military and economic assistance has been poured into Central America to prop up US allies. Senior officials assert in public that without such aid the Sandinista revolution would have been consolidated and other Central American governments weakened – if not toppled – by left-wing insurgencies.

However, in private, the comments on Central American policy are self-critical. Only the most fiercely anti-communist officials are willing to pass the blame for limited results to Congress, and its failure to support the Contra rebels in Nicaragua. But the record speaks for itself: the left-wing insurgency in El Salvador continues at much the same intensity; the Contras have not ousted the Sandinista Government in Nicaragua but are suing for peace amidst deep internal divisions; meanwhile per capita incomes have fallen 25 per cent over the last decade and vast sums are needed to reconstruct Central America's devastated economies.

The Latin Americans have been restrained in their criticism of this record, anxious not to antagonise, and aware that this is the US's backyard. They have been more forthright over Panama. Latin American critics argue that the US has been openly contemptuous of another nation's sovereignty, and willing to introduce draconian economic sanctions without thought of their long term impact.

As a result, confidence has been undermined in the US as a partner to tackle the major issues facing the region. Such lack of confidence led to the formation in 1983 of the four-nation Contadora Group (Colombia, Mexico, Panama and Venezuela) to promote a peace plan for Central America in virtual defiance of the Administration.

Contadora subsequently attracted a support group (Argentina, Brazil, Peru and Uruguay), that broadened into a new forum for all the region's concerns. Last December this Group of Eight held a summit in Acapulco – the first time Latin American leaders have met outside the context of the US-dominated Organisation of American States (OAS). This was not so much Latin Americans ganging up on Washington as a signal of their desire to establish more equal dialogue on the main issues. It might not have have happened had the US devoted more individual attention to the important countries in the region – Argentina, Brazil and Mexico.

The irony is that both the Reagan Administration and the region's leaders are in broad agreement on what the main issues should be: the restoration and consolidation of democracy, the debt crisis, the deteriorating terms of trade and the fast-spreading cancer of the illicit drugs business.

Nothing made President Reagan look more foolish than the bungled effort to oust Panama's General Noriega

The Reagan Administration cites the number of countries that have returned to democratic government (Argentina, Brazil, Bolivia, Grenada, Guatemala, and Uruguay). Yet, save in Grenada, the US has been more spectator than actor in the trend away from military government. President Reagan has certainly failed to unseat the most entrenched right-wing military regimes, Chile and Paraguay, if indeed he really wished to do so. Nor has the much trumpeted departure of Jean Claude "Baby Doc" Duvalier from Haiti produced democracy, underscoring that the US has less ability than is often assumed to determine events.

The Administration has been most consistent and successful in dealing with the debt crisis. Adopting a case by case approach has ensured that none of the major debtors' problems reached a critical point simultaneously. But debt policy has never moved beyond an exercise in containment to find long term solutions. The Baker Plan was welcomed when launched in 1985 because it sought to restore growth in Latin America through a mix of economic reforms in the debtor countries and new public and private lending to meet their capital needs. However, the resources promised have been forthcoming neither from the commercial banks nor multi-lateral institutions. Indeed, a much-needed capital increase at the Inter American Development Bank is being stalled by a dispute over US control of the bank's operations.

In the case of drugs, President Reagan will leave behind an atmosphere of mutual antagonism, with many Latins fearing that narcotics have become a new catch-all excuse for domestic interference. Such a legacy is unfortunate because drugs is the one area where both sides have a clearly defined mutual interest in cooperation. "For some drug-producing countries, it (the narcotics trade) has become the single most important issue affecting their relations with the US," commented a recent report on hemisphere relations by the independent forum, Inter-American Dialogue. Since the 1986 Drug Abuse Act, US aid has been conditional on the Administration certifying a country's anti-drug efforts. This certification process has caused periodic tensions with the Bahamas, Bolivia, Colombia, Mexico and Panama.

The Reagan Administration's policy failures in Latin America have been as much as anything due to the nature of the people involved. "For the past seven years a gang of right-wing ideologues have been running things", says Prof Wayne Smith. "George Shultz has been interested in East-West issues, Europe and the Middle East. Latin America was left free to the Right and what they said appealed to the President's anti-Communist instincts."

Where Mr Shultz has directly involved himself, pragmatism has prevailed. He limited the damage caused by the open support the US gave to Britain during the Falklands conflict in 1982; he argued against overturning the efforts by President Oscar Arias of Costa Rica to present a Central American peace plan; he has helped head off a trade war with Brazil; and latterly he has accepted the need to bring Cuba into a serious dialogue over the future of southwest Africa.

But during the second Reagan term Mr Shultz mostly gave free reign to Mr Elliot Abrams, his zealous young deputy in charge of Inter-American Affairs. "There have been very strong people making policy, Abrams in particular, who have terrorised the bureaucracy," says Mr Richard Feinburg of the Overseas Development Council. The particular concern of Mr Abrams and his circle was the war in Central America.

The Central American conflict rarely enjoyed more than grudging support in Congress: Democratic votes were usually won over simply because politicians did not wish to be tagged as soft on communism. Congress's rejection of further military aid to the Contras in February owed a good deal to the persistence of Costa Rican President Oscar Arias in pressing ahead with his Nobel Prize-winning peace plan.

Washington insiders are convinced it was lack of success with the Contra cause that led Mr Abrams to seek a "quick win" in Panama by removing General Noriega. Now that this venture has backfired, Mr Abrams is under strong pressure to resign. But he has clung on, if only because his departure would be too humiliating both for the right and the White House to accept.

With Mr Abrams's wings clipped, Mr Shultz has become more directly involved in Latin American affairs. Notably, he has encouraged some back-stage diplomacy to improve relations with Cuba, which has borne fruit in the recent talks on the future of Namibia and the withdrawal of Cuban troops from Angola.

The long standing adversarial relationship with Cuba is being undermined not just by improved superpower relations, but by a mellower mood in Cuba and by changing circumstances in Latin America. Washington could successfully isolate Cuba while the continent was controlled by right-wing military governments. The new civilian governments are less amenable to arm twisting and possess a less ideologically tinted view of the world. The example of Cuba's heavy dependence upon the Soviet Union and the disastrous performance of its economy is being avoided even by leftist Nicaragua. Thus, for instance, the newly democratic governments in Brazil and Uruguay have restored diplomatic ties with Havana; and the post-Reagan era could well find Cuba requesting admission to the OAS.

As a result, the next administration – whatever its political complexion – is likely to give the communist threat less prominence in shaping Latin American policy. The Reagan administration's legacy in Central America, at least, will be more easily dealt with by pragmatism.

Many mistakes and antagonisms of the Reagan era can be rectified by more sensitive diplomacy. The region is not in an "anti-gringo" mood. The majority of leaders are conservative and fundamentally pro-American; but they want to be heard as partners and see the US respect international law.

The Word is made fresh

■ The Anglican church, not always happy in its relations with the media, showed a remarkable access of sophistication at the Lambeth conference, just ended, in its interpretation of the Word for the earthy scribes of Fleet Street.

The conference was attended with the full modern panoply of handouts, summaries, briefings and TV interviews with the latest electronics to send episcopal resolutions to the round earth's imagined corners at 186,000 miles per second.

The press operation, which took 18 months to plan, was a great contrast with the last full Anglican conference a decade ago, when little preparation was made for a large congregation of journalists. This resulted in some unfortunate encounters between the first and the fourth estates of the realm. Some bishops, sitting down to their repast after a hard day's disputation, were dismayed to find themselves next to an earnest reporter trying to trap them into apostasy.

This year, therefore, at the campus of the the University of Kent, segregation was ordered, with a staff of ecclesiastical press officers charged to deliver bishops for interview when required. This was not entirely easy. As Dr Ronald Bowlby, Bishop of Southwark and head of the operation, remarked: "We had 525 bishops on a campus of 300 acres, and none on them was on the telephone. Even though we had the most modern equipment in the university technology centre we had to resort to runners."

After some initial grumbling among the 225 accredited press personnel, the system seems to have worked well. Sceptics were impressed, for example, that Dr Robert Runcie descended to a press conference on the ordination of women flanked by bishops with strongly opposing views.

This new spirit of doctrinal glasnost was also illuminated by the fine performance of Dr Richard Holloway, Bishop of Edinburgh, as host of a BBC1 episcopal chat show called The Lambeth Walk. Eschewing all the usual waffle, he elicited brotherly disagreements about homosexuality, polygamy, the conflict between authority and uncertainty and the relation of doctrine to science all with a deftness which made religion seem a lot more interesting than many of the usual media pre-occupations. His guest tonight is Bishop Tutu. Don't miss it.

OBSERVER

Peerless

■ Mr Robert Maxwell, chairman of the Mirror group, who has been re-discovering his Jewish roots, confided to Israeli television viewers last week that his chief goal in life was to help mankind. "If I were a woman," said the portly Mr Maxwell, "I would always be pregnant. I can never say 'no'." To illustrate how little concerned he is with his own personal glory, Mr Maxwell revealed that he had once even turned down a peerage, though who made him the offer – and when – was not stated.

Octomania

■ Today, in case you hadn't noticed, is a special day for calender arithmetists and owners of digital watches, being designated by a perfectly symmetrical number, each of whose digits is two to the power of three

This curious fact has achieved almost portentous significance in Hong Kong, where the number eight, pronounced "baat" in Cantonese, sounds similar to the word for

"Well, it certainly looks like a flight from Gatwick, so it must be a mirage"

prosperity, and is a very lucky number.

Those taking advantage of today's once in a century conjunction of digits include the billionaire businessman Li Ka-shing, whose Watsons retailing group is opening a new store. Eagle Star Insurance moves into new office also today, just for luck.

Matheson Personal Financial Consultants is throwing a quadruple eight party at the Mandarin Hotel. Everybody who can is getting married on August 8, while hotels offer champagne dinners at HK$888.88 for two.

Purists point out that the Chinese New Year fell in late February, so it isn't properly the eighth month but the sixth month of the lunar Year of the Dragon. However, the western calendar has been established in China since early this century, after its introduction by Sun Yat-sen when he formed the republic in 1911.

The luckiness of eight is shown by the many business phone numbers with multiple eights. The Hong Kong stock exchange, though not recently famous for its good fortune, has a post box numbered GPO 8888. The Hong Kong textile tycoon Law Ting-pong made it into the Guinness Book of Records earlier this year when he paid HK$5m for the territory's most recognisable number plate – a single eight.

Nice tone

■ Another happy result of the British Telecom tone dialling system: the Westminster office of the Society of Telecom Executives, the top phone man's trade union, (799 1844) dials the opening bars of The Red Flag.

Scheduled stop

■ Mr Victor Bawah, the only British Airways representative in Beirut, was so devoted to duty that, in spite of having his car blown up twice, dodging bullets and evading road-blocks, he never failed to get to work on time

To whip up business in the eastern part of the city, he would to fly 100 miles to Larnaca, Cyprus, then take an 18-hour boat trip to the north of Lebanon. Now, on his retirement after 19 years, BA is awarding him a special holiday. But alas, he will have to take inferior transport to begin it: the world's favourite airline does not touch down at the ill-starred city.

All mixed up

■ The disposal of assets including cars and office furniture from the collapsed Barlow Clowes Gilt Managers did not, it now appears, include goods with a more frivolous purpose specified in the sale notice. The auctioneers put wine, condoms and other items together with the Clowes assets in what what solicitors acting for Mr Peter Clowes now regard as a most unfortunate conjunction.

David Churchill reports on a dismal summer for British overseas tour operators

Sun, sand and surplus seats

British holidaymakers – caught up in the inevitable flight delays at UK airports over the weekend – may not have much sympathy for the package tour operators who sold them their delayed holidays in the first place.

But there is little doubt that Britain's overseas tour companies are experiencing a dismal summer – even apart from the extra costs and poor publicity caused by airport congestion.

In recent weeks the operators have been:

- Told by Sir Gordon Borrie, Director General of Fair Trading, that he is "disturbed to find that holidaymakers are not receiving the best possible service from the travel trade";
- Criticised by the Office of Fair Trading (OFT) and others for imposing holiday surcharges at a time of falling aviation fuel prices;
- Blamed by Mediterranean countries for importing "holiday hooligans" into their resorts;
- Shown by a European Commission survey to have the worst record in Europe for consumer complaints;
- Given figures by the Civil Aviation Authority (CAA), which show them as making their first aggregate financial losses since 1974 last year, with the deficit for the 30 largest operators totalling nearly £25m.

Added to these problems, the tour operators face an EC draft directive aimed at significantly increasing their liability when holidays go wrong.

Tony Andrews

As if all this was not enough, the overall market demand for holidays this year has been at least 5 per cent down in volume on last year's record levels. Moreover, when the publicity surrounding airport delays reached its peak, there was a sharp slump in last-minute holiday bookings for the vital August holiday period.

"The market was already low before the air traffic control problems, which then had the effect of killing off for a time late bookings that most operators were desperate for," comments Michael East, a travel industry consultant with Westcastle Consultants.

The August holiday period is crucial for the tour operators, because it is usually the time of the year when its profit margins from package holidays are at their highest. Families with children or inflexible factory holidays are forced to take their trip to the sun during July and August. With such a captive market, tour operators mark up prices in their brochures and are less keen to offer discounts until absolutely necessary.

That need arose last year when the June General Election caused a hiatus in late holiday bookings, so much so that tour operators panicked and slashed prices: holidays as low in price as £49 for two weeks in Spain were widely available.

Such discounting had two effects: it annoyed those holidaymakers who had paid full price for their holidays; and it wiped out the operators' already wafer-thin profit margins. Thomson Holidays, the market leader, was one of the luckier operators last year. It made a pre-tax profit of £3.2m from tour operating, down from 1986's figure of £16.7m.

In spite of last summer's problems, operators started the 1988 season with some 16 per cent – or 2m – more overseas package holidays to sell than last year, according to the numbers of charter flights licensed by the CAA. But the market for Mediterranean sunshine holidays this year has never shown the strength to justify such an increase in capacity.

Economic uncertainty after the October crash deterred some consumers from booking early. Many who had been caught out by the price cuts last summer decided to wait and see what discounts would be on offer this year before booking. Others have decided to forsake Spain and Greece and take advantage of a favourable dollar exchange rate to holiday in Florida and the Caribbean this year.

The tour operators, determined not to discount prices so heavily this summer and thus maintain respectable profit margins, decided early on to cut capacity back by consolidating flights and holidays. They also decided to use fuel surcharges to bolster margins a little more (though public outcry and the intervention of the Government forced the leading tour operators to forswear surcharges from next year.)

Airport delays caused a sharp slump in last-minute holiday bookings

Although bookings picked up in late spring, helped by rising wage settlements and tax cuts, the number of holidays sold was still running below the level of 1987. But just before the fiasco at the holiday airports, tour operators and travel agents saw signs of the market picking up. That recovery was halted by the bad publicity of airport delays. Since then, as the delays have slipped from the news, agents report that sales have picked up again.

Will they recover in time to bring August profitability back on target?

The major tour operators remain adamant that there will be no repetition of last summer's panic to shift holidays at any price – even if some indicious discounts for less popular flights and destinations (especially Greece) are now being offered by travel agents.

Roger Heape, Managing Director of Intasun, the UK's second largest tour operator, believes that the poor summer weather at home will benefit tour operators as consumer seek last-minute sunshine holidays. "We don't think the adverse publicity about airport delays will discourage people," he says.

But others think differently. "The tour operators will have to be very confident of the strength of demand in the next few weeks if they are going to avoid heavy discounts," points out Richard Gapper, managing director of Pickfords Travel.

More pressing for the tour operators are the financial implications of the airport delays. Traditionally, weak margins from tour operating have been offset by strong profits from the charter airlines with which the tour operators are linked. For example, Thomson's charter airline Britannia increased its profits from £34.4m in 1986 to £37m in 1987 – at the same time as tour operating profits were slumping. This year the airport delays have already cost Thomson over £1m in extra costs.

"A few more weeks like that will certainly knock a large hole in Thomson's overall profitability from the travel business," points out Nigel Reed, a leisure analyst with stockbrokers Kitcat & Aitken.

At the heart of the problem facing tour operators is the fierce competition of the 1980s which has kept holiday price increases well below the the general inflation level. In Continental Europe, where competition for packaged holidays is less fierce, prices and profit margins are much higher.

A two-week holiday in June this year at the Hotel Playa de Palma Sol in Majorca was sold by Intasun for £304 per person. The same holiday sold by the West German tour operator Neckermann Reisen cost nearly a third more at £401.

The inevitable consequence of this summer's pressures on tour operators will be for some of the weaker companies to go to the wall and for the larger operators to increase their stranglehold on the market.

In 1984, the big three operators – Thomson, Intasun, and Horizon – had some 36 per cent share of the market between them. By the beginning of this summer that share had increased to 65 per cent.

There is already speculation that smaller operators will be absorbed by the larger – as well as rumours that Horizon, bought by the Bass brewing group last year, may already be up for sale.

Yet while the overseas package tour operators have been having a rough time of it this year, domestic tourism has been enjoying an unexpected buoyancy of demand in spite of the wet weather. "English tourism is in for a very good season this year," reports Malcolm Wood, the English Tourist Board's director of marketing. "Airport delays make it so much more attractive for Britons to holiday at home."

British fiscal policy

How savings statistics were mismeasured

By Steven Bell

UNDERLYING the headlines row between Mrs Margaret Thatcher, the British Prime Minister and Mr Nigel Lawson, her Chancellor, is a major budget forecasting error.

Just a few weeks ago, Mr Lawson was pouring scorn on those who warned of overheating. He has now effectively admitted that it was a problem. It is now generally accepted in the City that his Budget was too expansionary (notwithstanding the PSBR surplus) and monetary policy too lax following sterling's uncapping.

Professor Sir Alan Walters has argued that the present overheating is the consequence of heavy official intervention to hold sterling down against the D-Mark. Samuel Brittan, in his FT column has argued more cogently that the overheating is a consequence of allowing the previous fall against the D-Mark. Of course, everyone can make mistakes, even Mr Lawson, whose past forecasting record is excellent. However, a good case can be made for pinning the blame largely on the mismeasurement of a single economic variable, the personal sector saving ratio, which in turn is a victim of one of the "black holes" in the UK national accounts.

Official figures show the saving ratio – the fraction of personal income that is not consumed – falling dramatically from a peak of 13 per cent in 1980 to 7 per cent in 1986 and 5.4 per cent last year.

A falling saving ratio means that consumer spending is increasing faster than income. The fall in saving in the early 1980s was the predictable (and predicted) result of declining inflation. The more recent fall was not predicted by any of the major forecasting institutions including the Treasury. Most economists have fallen back on ad hoc explanations.

Faced with the picture of an overstretched consumer, the Treasury's economists, along with other forecasters, concluded that consumers would rein in their spending this year in order to rebuild their savings. Slower consumer demand would keep the balance of payments deficit down, ease overheating pressures and avert an inflationary problem.

As we now know, this has not happened. Consumer spending remains buoyant and is set to rise in volume terms by 6 per cent this year, half as fast again as the Budget forecast. I would argue that this is because savings have not fallen as the official figures suggest.

The Central Statistical Office (CSO) measures savings as the difference between measured consumer spending and measured post-tax income. It is the residual between two large aggregates. An alternative method is to measure the increase in net assets acquired by the personal sector. This direct measure of saving has always been above the CSO's residual measure (by one or two percentage points) but the difference until recently has been stable. Both measures fell in the 1980s, but in the last five years the direct measure has shown only a gentle downward trend, very much in line with expectations. Last year the directly measured saving ratio was 11.7 per cent, compared with the official calculation that it was 5.4 per cent.

Mr Lawson's tax cuts represented a reasonable risk in the light of the analysis underlying the budget

The gap between the two figures appears as a balancing item in the personal sector accounts. This "black hole" reached £20bn last year and has grown by 37 per cent a year on average over the last five years. The CSO implicitly assumes that the balancing item reflects errors in the financial data, and accepts the validity of the income data. The direct measure of saving accepts the financial data as correct and allocates the balancing item to unrecorded income.

By using the official measures, the Treasury forecasters projected an underestimate of income into the future and assumed that consumer spending would have to grow even more slowly. The direct measure pointed to higher income growth and faster consumer spending. On this basis, the risks of overheating were obvious months ago, making the Chancellor's Budget "prudent but not prudent enough".

The evidence for preferring the direct measure of saving to the official methodology is overwhelming. For the CSO approach to be correct, the estimates of people's take up of financial assets in 1987 would have to have been in error by £20bn. This could be attributed to a uniform underestimate of the take up of liabilities and overestimate of asset purchases but only if the error were 25%. This is wildly improbable. By this process of *reductio ad absurdam* the official measure of saving can be discredited beyond all doubt.

By contrast, assuming that the direct measure of saving is correct implies a plausible error in measuring income of 7% for 1987 and a smaller percentage in earlier years. This is well within the CSO's own estimate of the measurement error on income of 3 per cent to 10 per cent. Econometric and other evidence also favour the direct measure of saving (interestingly, though, it seems that the CSO's method worked better before 1980).

The Chancellor's tax cuts represented a reasonable risk in the light of the economic analysis underlying the budget. But that analysis was critically dependent on flawed economic data and the risks involved must be a cause for real concern.

With fiscal policy in place for this year, Mr. Lawson has had to respond to overheating pressures with higher interest rates. This policy may be successful via a major slowdown in the housing market. But the timing of this is highly uncertain and overheating is always more difficult to cure once it has become entrenched. It is time that the nation's economic statistics were improved so that once again they form a reliable basis for analysis and policy making.

The author is chief economist at Morgan Grenfell

LETTERS

Property tax methods compared

From Mr W. Cortlyn Rhodes.

Sir, Taxation of property in the UK has been carefully devised to place all the burden on the occupier rather than the owner, who is further protected by so-called "repairing leases" requiring maintenance at no expense to the owner. Thus an owner can hold a property indefinitely without recurring cost or encumbrance.

The owner is further protected by ensuring that no tax is levied on property which is not occupied; an owner can therefore hold the property without cost or encumbrance forever. To justify this method of taxation it is necessary to levy property tax on a notional rental value which, at present inflated values, has no relation to the actual market price.

Thus it is little wonder the total tax base is now a fraction of the true value of the total property value – which could easily be as much as 1000 times the present base. In addition, at present, the central government subsidises half of the present "rates" by a "rate support grant" which is simply paid indirectly by the taxpayer. Consequently, if taxes were levied on the market value of property, and "rate support grant" eliminated, the net result would be the same and – of great importance – property tax would become a purely local affair.

In the states of the US, "rates" have always been far removed from the Federal government. They are levied on the market value of a property, and revalued every five years. There is no differentiation between domestic nse and business use, and the stata offers no subsidies or grants of any kind. In fact, in some states, a portion of the tax is paid to the state for services such as education.

The most immediate effect of taxing property at market value in the UK would be to *stop* the astronomical rise of property prices far beyond any reasonable level, now far beyond their real "value." A subsequent effect would be to lower these prices to levels more consistent with their true value. And because tax would then by paid by renters indirectly, there would be a powerful incentive to keep property occupied at all times, and not lapse into a state of disrepair.

To advocate such an heretical notion is probably akin to treason, but it is tha only equitable method of supporting local government, which is then free to administer its budget to suit its own peculiar requirements.

W. Cortlyn Rhodes,
26 Cyril Mansions,
Prince of Wales Drive, SW11

A future less grim than it has been painted

From Mr Trevor J. Thomson.

Sir, Mr David McWilliam, chief executiva of LondonClear's comments (August 2) regarding the abandonment of LondonClear, paints a grim and somewhat Dickensian picture for the settlement of securities traded in the London money market.

The implication appears to be that LondonClear offered the only mechanism through which the London market could be dragged into the 20th century. Furthermore, Mr McWilliam's suggestion (as quoted in the Independent) that LondonClear's demise would be a "blow to London's aspirations to become a major financial centre" is perhaps overstating the impact that LondonClear may have had on the market.

Established in 1976, First Chicago Clearing Centre is now the principal London based clearing house for short term Euro securities. It currently offers a recognised and efficient alternative to the physical movement of paper within the City. The clearing centre has over 350 members, with $45bn of physical securities in custody, and an average daily transaction value of $6bn.

While initially targeted at eurodollar-based securities, our business has grown rapidly to include a broad range of sterling and other non-dollar money market instruments. This capability is based on over 10 years of market commitment, systems investment and product development; an outstanding example of our strategic commitment to specialised and high valna added businesses in London and Europe.

Trevor J. Thomson,
First Chicago Clearing Centre,
90 Long Acre, WC2

'This year's sterling appreciation is justified'

From Mr B.L. Connolly.

Sir, Mr Samuel Brittan's analysis of real interest rate differentials between Britain and Germany (Economic Viewpoint, July 28) is seriously in error.

For some time, prospective real returns on capital have been higher in Britain – benefiting from the Thatcher revolution – than in an over-regulated and "stagnationist" Germany. It is therefore appropriate that real interest rates should be higher in Britain than in Germany.

Mr Brittan is wrong in claiming that capital controls are a necessary condition for the existence of such real interest rate differentials. Rather, a sufficient condition is that there should be an expected real depreciation of sterling against the Deutsche Mark.

In this perspective, this year's sterling appreciation, which has so dismayed Mr Brittan, is wholly justified.

It has created the expectation of a future real depreciation, thus allowing a real interest rate differential to be maintained.

Moreover, it will switch demand away from (currently) strained domestic output, thus reducing the extent to which short-term real appreciation comes about via fast British inflation. If sterling's rise had come earlier, as Mrs Thatcher wanted, the inflationary risk could have been reduced further.

The future real depreciation of sterling will be accompanied by falling real interest rates in Britain as the investment boom gradually rednces the excess return on capital. That real depreciation might involve either a nominal depreciation or a rate of inflation lower in Britain than in Germany.

But Mr Brittan would have Britain both fix its nominal exchange rate against the Deutsche Mark and tie its rate of increase of traded goods prices to that of Germany. Were his prescription to be followed, the Thatcher revolution could not bear fruit in a sustainably higher level of output in the future; instead, Britain would be locked into the growth and investment performance of the country referred to in your editorial of July 27 as the "sick man of Europe".

B.L. Connolly,
Rue Major Pétillon 4,
1040 Brussels,
Belgium

Divided we fall . . .

From Mr J.C. Attfield.

Sir, Why only two? The FT should have been divided into at least eight sections. This would surely guarantee minimum advertising response and maximum inconvenience for your commuter readers.

J.C. Attfield,
The Field House,
Maggot's End,
Manuden, Hertfordshire

Divided we stand

From Mr Christopher Toop.

Sir, Congratulations on your new format. It is good to see that you have acknowledged the rise of the "Dinky" ("dual-income-no-kids-yet") by making it so easy to share the FT on the train into town.

Christopher Y. Toop,
10 Marksbury Avenue,
Kew Gardens,
Richmond, Surrey

FINANCIAL TIMES
Monday August 8 1988

Janet Bush on Wall Street

Historical hint of fall after polls

WHAT CAN history tell us about how the financial markets will greet the election of either Michael Dukakis or George Bush in November?

There is every sign that the Treasury and the Federal Reserve Board – not to mention their opposite numbers in London, Tokyo, Bonn and Frankfurt – are going to do their upmost to keep markets steering a steady and decidedly unexciting course until November. But what about after November?

Looking at the performance of the stock market in the first year after the 15 presidential elections since 1928, the Democrats clearly come out winners.

They have won eight elections since 1928. After five of them, the Dow Jones Industrial Average rallied. It fell after six out of seven Republican victories.

That does not necessarily mean the stock market prefers Democrats. It reflects instead the policies normally pursued by the different parties.

Mr Neal Soss, chief economist of First Boston, points out that gross national product growth shows a distinct tendency to accelerate in the second year of a Democratic presidency, which normally errs towards the expansive. This is in sharp contrast to the recessions that have typically occurred during the second years of Republican Administrations, which are normally characterised by slower growth and lower inflation.

In the past 35 years, the Standard & Poor's 500 has greeted Democratic presidents with an average price rise of 7.8 per cent in the first year "only to become severely allergic to Democrats' second-year booms (and related inflation)." The first two years of Democratic rule have averaged paltry price rises of 1.7 per cent per year.

In the case of Republican presidencies, the stock market has gone up by an average of 3 per cent in the first year and up by about 1 per cent in the second year, also giving an average of 1.7 per cent.

The current conventional wisdom in the US press about the two candidates is that both are so bland that it is hard to tell them apart and stock market history anyway suggests that it does not really make much difference whether a Democrat or a Republican is elected.

There is, however, a more fundamental reason than personality which may make Bush and Dukakis policies similar after the election.

Simply put, President Ronald Reagan has behaved more like a Democrat than a Republican as far as the economy is concerned. For that reason, Dukakis, if elected, may be forced into behaving more like a Republican than a Democrat.

The statistics of stock market post-election performances this century gives a hint of this. The only time the market rose in the wake of a Republican victory was in 1985, the year after President Reagan won his second term of office.

In the case of every other Republican president, there has been a recession in the second year of office but President Reagan got his recession out of the way early in 1980 and 1981 and has managed to avoid one ever since.

Mr David Hale, chief economist at Kemper Financial Services, says that since the Second World War there has been a close coincidence in the political and business cycles but that President Reagan's term in office has changed the pattern. "Reagan warped and distorted the business cycle," he says.

This poses a formidable dilemma for President Dukakis, who may become the first Democrat ever to take his seat in the Oval Office at the top of a business cycle.

Mr Richard Hoey, chief economist at Drexel Burnham Lambert, says that either man faces an unenviable lack of flexibility in terms of cyclical policy.

President Bush may be slightly the more likely of the two to go for a tough anti-inflationary drive and trigger a recession early in this term.

President Dukakis may try to act like a Democrat and postpone the inevitable recession, which Mr Hoey predicts will start at the beginning of 1990.

It could be, however, that Mr Dukakis could decide to go the Republican route.

If both a Bush presidency and a Dukakis presidency is Republican by nature, history suggests that the equity market has to fall next year. So forget your pre-election doldrums – now may be the last chance to make some money on stocks.

LIONEL BARBER on the plans of the Treasury Secretary and his successor

Baker launches Bush on a confident wave

VICE-PRESIDENT George Bush will use peace and prosperity as the twin pillars of his attempt to win the November presidential election, Mr James Baker, his newly appointed campaign chairman and the US Treasury Secretary, said yesterday.

In spite of opinion polls showing Mr Bush trailing by up to 17 points behind his Democratic rival, Governor Michael Dukakis of Massachusetts, Mr Baker denied that the Bush campaign was in trouble and said the election battle had only just begun.

The launch pad for a Bush comeback will come in New Orleans next week when the Republican Party endorses the Vice-President as its presidential candidate. At that point, Mr Baker – who announced his resignation as Treasury Secretary last Friday – will officially assume charge of the Bush campaign.

In a TV interview yesterday previewing the Republican strategy, Mr Baker said the choice in the 1988 presidential election was one of two very different futures.

"The American people need to reflect upon whether they want a future which will build upon the peace and the prosperity which we have seen over the past two terms of this Administration or whether they want to run the risk of losing that peace and that prosperity.

"That's the real issue in this election and that's the choice that Vice-President George Bush will put to the American people," he added, playing down the significance of a running-mate on the Republican ticket.

Mr Bush will not make his choice of running-mate before the end of the convention, but the front-runners appear to be Senator Robert Dole of Kansas and Congressman Jack Kemp of New York.

Mr Baker, who ran Mr Bush's failed presidential campaign in 1980 but who won a reputation as a master strategist as President Reagan's White House chief of staff and then Treasury Secretary, admitted that recent opinion polls were not encouraging. The Vice-President's problems with women voters were "real" and he was still suffering from high negative ratings, he conceded.

Mr Baker said the Vice-President would counter by taking increasingly independent stands from the administration as shown by his recent calls for more money for child care, AIDS research and education. "That will continue to an even greater extent coming out of the convention."

A New York Times/CBS opinion poll published yesterday showed that the Democratic party was recapturing the crucial middle ground of American politics, with many middle-class voters being wooed on issues such as education and dealing with the Federal budget deficit.

Mr Baker said Mr Bush would stick to his pledge not to raise taxes and he defended proposals for a "flexible freeze" on spending. He argued that a selective freeze on some areas of government spending would permit other Bush programmes to go ahead. The budget deficit was falling more rapidly than anticipated because of spending increases already in place.

President Reagan has nominated Mr Nicholas Brady, a Wall Street financier and chairman of a White House study on the stock market crash, as Mr Baker's replacement as Treasury Secretary.

Editorial comment, Page 12

Brady's eyes may be fixed on future prize

MR NICHOLAS BRADY, the Wall Street financier nominated to succeed Mr James Baker as US Treasury Secretary, will assume a caretaker role in the final five months of Mr Ronald Reagan's presidency.

With the US economy in robust health and the financial markets relatively stable, Mr Brady, best known for chairing the White House committee into last October's stock market crash, is unlikely to be called upon for any major new economic initiatives.

However his eyes may be on a future prize: if Vice-President George Bush, his friend, wins the November election, Mr Brady would be the front-runner for the Treasury job in a Bush Administration.

A lanky 58-year-old who was educated at Havard and Yale, Mr Brady has spent most of his life on Wall Street. He is currently co-chairman of Dillon, Read & Co, the New York investment bank built up by his father whose investment partners included the Rockefellers, Du Ponts, and Mellons.

In recent years, he has built up plenty of Washington experience, having served on several presidential task forces during the Reagan Administration. He also earned a rare appointment to the US Senate in 1982 to fill the final six months of the term of Senator Harrison Williams of New Jersey, a Democrat convicted of political corruption.

Mr Brady'e report into the stock market crash won widespread praise on Wall Street and in Congress. His main conclusion was that the stocks, options and futures markets had become so closely integrated that they require supervision by an intermarket agency, with the Federal Reserve the most likely choice to assume the lead role.

Some were surprised at the far-reaching reform proposals. The White House, under pressure from free-market advocates, distanced itself from the report. A second committee, chaired by the US Treasury, shelved the Brady commission's proposals and gave the markets largely a clean bill of health.

However, other Brady recommendations for reducing volatility such as halting trading in the event of excessive gyrations in the markets, have won acceptance. "Brady shaped the debate on post-Crash reform," said one Congressional supporter last week.

Some would go even further. Last February, during one of his numerous appearances to testify on Capitol Hill, Mr Brady took on the leading Republican, free-marksteer Senator Phil Gramm of Texas, who had vigorously opposed regulatory intervention. "He looked him straight in the eye, set out his arguments, and just blew him away," recalls a senior staffer on the Senate Banking Committee.

Nicholas Brady waves as he leaves the White House on Saturday after being nominated to replace James Baker as US Treasury Secretary

Mr Brady will not have too many such opportunities for cut-and-thrust debate because he is expected to win easy confirmation as Treasury Secretary in the US Senate. He could fairly calculate to be in his job by the middle of September, in time for the annual meeting of the International Monetary Fund and World Bank, to be held in Berlin this year.

On the domestic stage, Mr Brady's main task will be to keep the credit and foreign exchange markets calm – although the words and actions of Mr Alan Greenspan, the chairman of the Federal Reserve, will probably count as far more influential.

A potential source of concern is the US Savings and Loans Industry, particularly in Texas. Some 1,300 banks are on the watch-list of the Federal Deposit Insurance Corporation and more than 200 are expected to go under this year. Mr Brady will probably rely on the expertise of Mr George Gould, his Under-Secretary, in this area.

In short, his brief stint at Treasury will be a chance to try out the levers of power. Whether he gets the chance to really settle in depends as much as anything on the re-established partnership of Mr Bush and Mr Baker who assumes the role of campaign chairman at the end of the New Orleans Republican convention next week.

Lionel Barber

UK may restructure £200bn national debt

By Simon Holberton, Economics Staff, in London

A MOVE to restructure Britain's estimated £200bn ($342bn) national debt could follow last week's decision by the Government to redeem early $2.5bn of the UK's external borrowings.

It may also be the beginning of more active day-to-day management by the Bank of England of that segment of the national debt which is traded in the gilt-edged securities market. This debt has a nominal value of more than £135bn.

The Bank and the Treasury are, for the first time since the beginning of Second World War, now in a position to consider changes to the structure of the national debt. This has been made possible because the Government no longer has to borrow from the private sector to finance its public spending.

It is likely that this year that the size of the national debt will actually contract. Forecasts for future years are clouded with uncertainties, but it is generally agreed by economists that over the short- to medium-term the Government'e budgetary decisions, will be broadly neutral for the national debt.

This means that the debt will probably not grow in nominal terms and may even continue to contract slightly. Officials said that they are just beginning to come to terms with this outlook but that discussions on the possibility for managing the national debt are only in early stages.

Such a move is likely to be welcomed by the 23 gilt-edged securities market makers because any decision to change the structure of the national debt would involve the Bank making large repurchases of stock and re-issuing it in a different form.

The market makers would have a significant role in the intermediation of this restructuring which would mean that the Bank bought in high-cost debt and replaced it with lower-costing stock.

At the end of March 1987, the period for which detailed figures are available, Britain's total national debt, both foreign and domestic, was £185.7bn. Since that time it has grown by at least £15bn.

The biggest slice of the national debt is accounted for by gilt-edged securities. At the end of March last year total domestic sterling debt of £182.3bn included £126.8bn in the form of gilt-edged securities.

UK Gilts, Page 15

Sihanouk for talks in West

Continued from Page 1

Hun Sen," declared Prince Sihanouk. "There is in fact co-operation between us. It is not just e truce. We are now co-operating militarily."

He asserted that more and more units were joining his forces fighting the Vietnamese occupation and that next year he would have more than 30,000 men "fully equipped with US weapons."

Pressed on whether the US had already made a commitment to supply weaponry, Prince Sihanouk said he could disclose nothing because of the wishes of the US Administration. But he added that with his 30,000 men and the 40,000 under the command of the Hun Sen regime, they would together be sufficient to cope with the 40,000 controlled by the Khmer Rouge.

Prince Sihanouk would not directly criticise China, which sustains the Khmer Rouge. But he revealed his intention of eveotually declaring the Khmer Rouge an illegal organisatioo, at whicb point he believed their sponsors would have to re-examine their stand.

Despite the hectic pace of her tour through the Middle East, Sontb East Asia, and Australia, the Prime Minister showed no signs of flagging as she toured the camp.

WORLD WEATHER

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	28	82	Dubrovnik	S	29	84	Malta	S	30	86	Rhodes	S	31	88
Algiers	S	30	86	Edinburgh	S	20	68	Manchester	S	25	71	Rio de J'o	F	28	82
Amsterdam	F	23	73	Faro	S	27	81	Manila	C	32	90	Rome	F	31	88
Athens	S	32	90	Florence	S	31	88	Melbourne	C	10	50	Salzburg	S	25	77
Bahrain	S	37	99	Frankfurt	S	27	81	Mexico City	F	27	81	San Francisco	F	22	71
Bangkok	F	34	93	Funchal	C	30	73	Miami	S	28	82	Seoul	F	34	82
Barcelona	S	27	81	Geneva	S	25	72	Milan	S	28	82	Singapore	C	31	88
Beirut	-	-	-	Gibraltar	S	27	81	Montreal	C	33	91	Stockholm	C	19	84
Belfast	F	20	68	Glasgow	F	21	70	Moscow	C	22	72	Strasbourg	S	27	81
Belgrade	S	26	79	Guernsey	S	24	75	Munich	R	25	77	Sydney	S	17	63
Berlin	S	20	80	Helsinki	F	19	66	Nairobi	F	23	73	Taipei	F	34	93
Biarritz	C	22	72	H. Kong	F	31	88	Naples	S	33	91	Tangier	F	25	77
Bombay	-	-	-	Innsbruck	S	26	79	Nassau	C	31	88	Tel Aviv	S	30	86
Bordeaux	S	29	84	Inverness	C	16	61	New Delhi	C	34	94	Tenerife	S	27	81
Brussels	S	25	77	Islamabad	F	35	95	New York	C	32	90	Tokyo	S	29	84
Budapest	F	25	77	Istanbul	F	29	84	Nice	S	28	82	Toronto	C	32	90
B. Aires	F	19	67	Jakarta	C	32	90	Nicosia	F	40	104	Tunis	S	31	88
Cairo	S	34	93	Jersey	S	27	81	Oporto	F	20	68	Valencia	S	31	88
Cape Town	R	18	58	Jo'burg	F	21	70	Oslo	F	24	72	Venice	S	27	81
Caracas	S	27	81	Lima	R	15	59	Paris	F	26	79	Vienna	S	23	73
Casablanca	S	23	73	Lisbon	C	29	84	Peking	C	28	82	Warsaw	S	23	73
Chicago	S	20	68	London	F	27	81	Prague	S	24	75	Washington	F	25	77
Cologne	S	31	88	Los Angeles	C	28	82	Reykjavik	R	12	54	Zurich	S	24	72
Copenhagen	C	20	68	Luxembourg	S	27	81								
Corfu	S	32	81	Madrid	S	26	82								
Dallas	S	26	79	Majorca	S	29	84								
Dublin	S	30	86	Malaga	R	26	82								

Readings at mid-day yesterday
C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

Gulf bank ready for Soviet joint ventures

By John Lloyd in Moscow

A BANK in the Gulf states has said it is prepared to finance joint ventures within the Soviet Union. This is a further indication of closer ties between the USSR and the Gulf.

Last week, Qatar became the fourth Gulf state to open relations with the Soviet Union.

Sheikh Suroor bin Sultan Al Dhaheri, chairman of the board of the Abu Dhabi Commercial Bank, one of the biggest in the United Arab Emirates, said at the weekend the bank would consider fresh credits for the USSR. The bank advanced a relatively modest loan of $50m in April.

Sheikh Al Dhaheri, visiting Moscow at the invitation of the Bank of Foreign Affairs, also proposed the opening of an air route between Abu Dhabi and Samarkand, a city in a Moslem area of Soviet Asia. He said: "We heard rumours of the oppressed position of Moslems in the USSR, but we are convinced these are not in keeping with reality. Islamic monuments in Central Asia impress one with their grandeur, and we would like our people to see them."

The Soviet Union was seen in the Gulf states as a "reliable borrower," he said.

● An association to promote commercial links with foreign countries has been set up at Vladivostok, in the Soviet far east, according to Tass.

Breakthrough in Gulf peace talks

Continued from Page 1

view published yesterday that foreign navies would leave the Gulf once the war was over.

However, a US Pentagon spokesman, Lt-Col Alan Frietag, who described the Iranian move as "very encouraging," said the 27-ship US naval task force protecting shipping in the Gulf would be reduced only when the threat had been removed.

Once a ceasefire halted the fighting, "then the number of ships would go down . . . There will probably always be a presence in the Gulf. When the threat is reduced, so our presence will be," he said.

THE LEX COLUMN

Leaving oil to the professionals

The flirtation of British industrial and commercial companies with the North Sea is over. ICI, RTZ, Associated Newspapers, Pearson and now Trafalgar House have all decided to retreat from a business that has involved unexpected losses and big demands for cash. The market is in no doubt that the affair is better ended: last week's announcement from Trafalgar was worth 5 per cent on the share price, while Associated Newspapers and Pearson are judged to be worth some 10 per cent more without their oil assets.

In part this is a reflection of the astounding prices that North Sea reserves now command. While most of the outsiders piled into oil at the top, the timing of their exit looks considerably better judged. The oil majors need reserves, and the North Sea is still the most popular place to buy them; and even though Trafalgar will not get anywhere near the market's hopes of £200m, it should nevertheless get out at a price that does its earnings no harm.

The mass defection from the North Sea is not just opportunist, but is sound strategically. The market has consistently undervalued oil assets that are hidden in a larger group, as the break up of IC Gas last year demonstrated. Exploration companies do not generate much in terms of profit, so any earnings valuation will understate their worth; while the value of the assets is not reflected in the balance sheet and is highly subjective anyway.

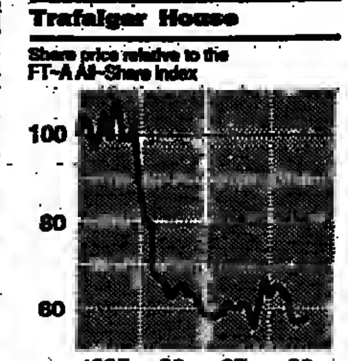
The disposals also accord with the new fashion for companies that stick to their core businesses. While Trafalgar House doggedly maintained until last week that oil was a core business, its position was becoming increasingly untenable. Economies of scale in the industry are getting more important, and being a small player no longer makes sense. Meanwhile, the oil industry may have as little cause to mourn the corporate exodus as the companies' shareholders: rather than contributing to the search for oil, the professionals might argue, they merely provided an additional complication in what is already an over-fragmented business.

Dartford bridge

The £200m plan to solve one of the worst bottlenecks on Britain's motorways, by building a bridge across the river Thames, is relatively small beer when compared with the £5bn Eurotunnel project. Nevertheless, it is the first time this century that a major road scheme in the UK has been privately financed. At least in terms of its financing, it is a much more interesting project than Eurotunnel, the sheer size of which has overshadowed the fact that it is fairly conventionally financed, albeit with a rather aggressive level of gearing.

Trafalgar House

Share price relative to the FT-A All-Share Index



The Dartford project financing has broken new ground in several areas. First, and probably the most important point, it has proved that it is possible to privatise a public sector monopoly without allowing the private sector to reap windfall profits. Dartford River Crossing (DRC) – the private company set up to operate the two existing tunnels and construct the new bridge – will disappear, and operational control will return to the Government, just as soon as enough tolls have been collected to repay the borrowings. Given that tolls are only allowed to rise in line with the retail price index, total borrowings are strictly limited, and any profits of the operating company go to accelerating the debt repayments, the project's owners – Trafalgar House, Kleinwort Benson, Prudential and Bank of America – are clearly never going to make a killing, and at worst stand to lose a lot of money.

The second novelty is that it has proved that there is a healthy appetite amongst some financial institutions for providing substantial sums of long-term fixed rate money on terms which would have been unthinkable a few years ago. DRC will have maximum borrowings of £169m and £1,000 of equity; and the banks' traditional weapon for protecting their interests – threatening to force a borrower into default – is worthless in this instance, since the operations would revert to the Government. The lenders are providing effective equity capital, and whilst the shareholders are an impressive bunch, at the end of the day the only security is the £25m per annum cash flow from the project; and there is always an outside chance that this will be insufficient to repay the borrowings in the 20 year life of the concession.

Admittedly, the risks for Dartford'e financiers are nowhere near as daunting as is the case with Eurotunnel. The more than fivefold increase in traffic since the first Dartford Tunnel was built 25 years ago, and the long traffic jams every day on the M25, are much more reassuring than the theoretical traffic forecasts of Eurotunnel's planners. Whereas Eurotunnel's cash flow projections can be disrupted by the unpredictable response of rival ferry and airline operators, Dartford'e only real rival is the East London River crossing and its construction has already been delayed. Trafalgar House has agreed to build the Dartford bridge for a fixed price of £86m and has fully accepted any construction risks, so the only real dangers are a dramatic fall in traffic, or a sharp drop in inflation which might mean that future revenues are insufficient to cover interest charges.

Given the strength of the project, the risks are probably worth taking even though there is no equity cushion. The banks providing the £85m 13 year floating rate loan are earning a reasonable return but probably less than they would if they were lending on a speculative property development like the Broadgate office development in the City. Meanwhile, the £64m of fixed rate debt is believed to have been priced at between 300 and 400 basis points over the comparable gilt. This compares with a 150 point margin on a top quality debenture and could look very attractive if interest rates remain around current levels for the life of the loans.

For Trafalgar House the rewards are less obvious. It has won an important contract which will provide its Cleveland Bridge and Cementation businesses with work for a couple of years and there is a certain kudos attached to having put together the first major privatised infrastructure contract in the UK. However, the risk of a fixed price contract should not be understimated, especially since construction costs are currently rising twice as fast as inflation. One of the main reasons Trafalgar won the deal was because it did not insist on a handsome management fee for running the Dartford concession after it had built the bridge, and this is something that it may live to regret.

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FINANCIAL TIMES
COMPANIES & MARKETS
Monday August 8 1988

INSIDE

The chemistry of an Italian marriage

It has been dubbed by Mr Franco Reviglio, president of Eni, the Italian state energy group, as "the biggest industrial policy operation ever carried out in Italy." On Friday the long-awaited chemicals joint venture between Enichem and Montedison gained government approval. John Wyles in Rome looks at prospects for the project between public and private sectors, finalised after two-and-a-half years of often faltering discussions. Page 20.

Leisurely lands of opportunity

The highly-fragmented and fast-growing leisure sector presents one of the few great opportunities left for business development in Europe, argues Mr Michael Ward, the man who as executive chairman of European Leisure has led the recent acquisition of London's Camden Palace discotheque and Tito's Palace in Palma, Majorca. Page 21.

Big wheels turn to car rental

Following in the tyre tracks of rivals Ford and Volvo, General Motors looks set to enter the multibillion-dollar US car rental industry, with the announcement that it is negotiating to buy "a substantial minority stake" in National Car Rental, as part of a reorganisation of the ownership of America's third largest vehicle hire company. Page 20.

Eurobonds summer in the Med

The Mediterranean has not just been attracting the holidaymakers this summer. In what is normally their quietest period, bankers in the international loans market have several financings under way for countries in that region. Page 17.

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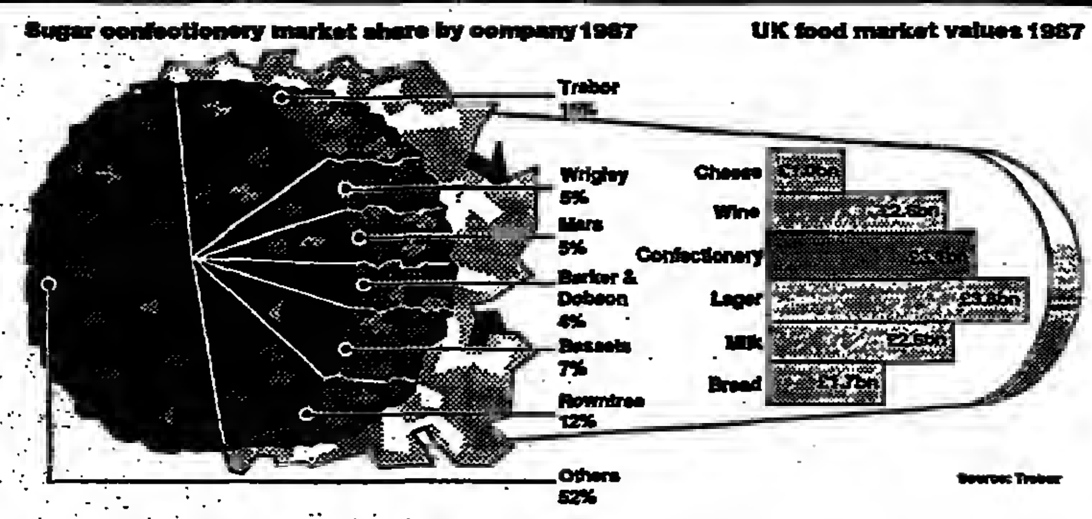
Cepsa	20	Harrisons/Crosfield	21
Cofir	20	Holden Technology	21
Cusaf	20	Montedison	20
Daimler-Benz	20	National Car Rental	20
Dornier	20	SAC International	21
Enichem	20	Sanitas	20
European Leisure	21	Toronto Suri Pub	20



Bitter-sweet confection for the City to swallow

Christopher Parkes, Consumer Industries Editor, examines reactions to United Biscuit's purchase of Callard & Bowser

THE SWEETSHOP ghouls came out last week. They came out for the Nerds, and they came out for United Biscuits.

Assorted spooks appeared in droves in trade advertisements ushering in Nerds, a new US sugar confection, warning retailers to order supplies sharpish..."or your customers could turn ugly."

City spectres were there, too, with an ugly welcome for another US confectionery import: Callard & Bowser, bought by UB for $26m (£44.2m) from among the remnants of Beatrice Foods.

Purchased at a multiple of 83 times last year's earnings, one broker denounced the deal as "another example of UB's inability to sort out what is in the shareholders' interest and what is in the interests of UB's management."

Taking a wider view, the purchase was seen in another company as needlessly stoking price inflation in the UK food processing sector and raising expectations of lavish deals for other confectionery businesses currently on the auctioneer's block. UB is believed to have paid $6m more than the next highest offer for Callard & Bowser.

Already Barker & Dobson, the humbugs and toffee vehicle used by Mr John Fletcher to launch himself back into retailing, is being touted at an extravagant £40m. There are also signs that Hanson, the industrial conglomerate, is dressing up for sale its Famous Names subsidiary.

There is plenty more to go at, with some hundreds of mostly tiny companies competing for a share of the £990m UK sugar confectionery market. In the £2bn-plus chocolate sector, by contrast, four companies account for 86 per cent of sales.

The pattern is similar in other countries, but it is changing. With the chocolate trade closed to all but highly specialised competitors, corporate attention is moving to sugar. Rowntree, for example, has elected to concentrate on building its North American confectionery business on the sugar products of Sunmark – which include Nerds.

However, industry concentration on a scale to compare with that in chocolate will be a long time coming. Local flavour, texture and price preferences are strong, as are the local and regional franchises of the many small companies involved.

UB is credited with having coped well in the chocolate trade. Its Terry's subsidiary has prospered, according to Mr Les Pugh of brokers Salomon Brothers, thanks to its astute exploitation of the retailers' own-label market so resolutely scorned by the branded majors. But he has grave doubts about the wisdom of UB's spending part of the receipts from its distress sale of Speciality Brands in the US on a sweets business "with dubious growth prospects."

Doubts spring from the strong position in UK sugar confectionery already taken by chocolate giants Mars and Rowntree and the private company Trebor.

Since Sir Hector Laing, UB chairman, has said repeatedly that he aims to be number one or two in every area of operations, Mr Eric Nicoli, managing director of the UB Brands division which lumps Terry's in with the group biscuit business, has a long way to go. He could quickly build a £200m confectionery business by adding Barker & Dobson and Famous Names to Terry's, but the price would probably be prohibitive after the events of last week.

In any case, Mr Nicoli declared, he had no interest in and no intention of bidding for Barker & Dobson. Nor did he believe the sugar confectionery industry was capable of being restructured to match the concentration in chocolate. Those seeking a rationale for UB's new venture should look for the synergies, he said.

● The US deal gave the group three 200-year-old high quality brands to match the calibre of Terry's: Callard & Bowser, Nuttall's and Smith and Kendon.

● With half the new company's sales going for export, the purchase opened international opportunities for Terry's.

● Terry's could repay the compliment to the incoming brands in the UK market by distributing them through its established sales network.

● The acquisition would also balance existing operations by evening out some of the seasonal irregularities which are part of running a chocolate company in a market dominated by Easter and Christmas, Mr Nicoli said.

He also made it plain that City ogres held no fears for him. He pointed out that the £12m consideration for goodwill in the deal had bought him three solid brands for £4m apiece – not such a bad price in today's environment. And he scoffed at the shrieks of horror roused by the apparently extravagant multiple paid.

The measures applied to billion dollar deals were not pertinent to small acquisitions, he said. If UB had paid £10m on a multiple of 100 the City would have said it was a good deal, Mr Nicoli claimed. He and other buyers were still shopping around for quality acquisitions and he forecast: "We might see one or two small confectionery companies going at multiples of a similar level."

More UB purchases are likely. "We could not grow to the size to which we aspire by organic growth alone...we now have about 4 per cent of the total confectionery market, and that gives us plenty to go at."

Smiling technocrat claims seat with budgetary angels

John Wyles looks at Giuliano Amato's year at the Italian Treasury

MR Giuliano Amato has been Italian Treasury Minister for just over a year and many at home and abroad have come to appreciate his technocratic intelligence, coolness under fire and patient humour.

Circumstances being what they are, he can allow himself only one priority, and his toothy smile has beamed out alongside countless headlines explaining that the nation's overriding purpose must be to reduce the annual public sector deficit and to bring galloping public debt back under control.

Yet arguably, and some do argue this, Mr Amato is a failure. Once installed at the Treasury in mid-July, he brandished barely a scalpel to a 1987 deficit skidding L10,000bn ($7.2bn) wide of its target.

He had to produce two draft budgets for 1988 because the first was too lacking in the obviously-needed austerity. He was forced in May to bring in a mid-year package which will recoup only L7,000bn of the staggering L18,500bn by which the deficit would otherwise have exceeded last autumn's target.

He has also failed, meanwhile, to achieve the lower interest rates with which he was hoping to trim some of the cost of debt servicing.

After such towering non-achievement, it is hardly surprising to see the Treasury running into financing problems.

The mountain of public debt is as likely as not to soar above the nation's total annual gross domestic product next year and investors are keeping their money on a short string.

In the two most recent issues, the market would have only casual truck with Mr Amato's offering of medium-term bonds designed to lengthen the maturity of the Treasury's debt.

This has left the Italian banking system dangerously liquid and put monetary targets under some pressure. Add in warnings from independent forecasters that domestic inflation may rise from an annual rate of about 4.7 per cent to 5.7 per cent next year and you have a modesty of performance which might, elsewhere, prompt the prudent preparation of a political obituary.

But there is nowhere else quite like Italy, and Mr Amato is outraged to be held even partially responsible for this less than glorious passage in the nation's economic policy-making.

The fault, he says, lies not in the policies of government but in the Italian system's failure to adopt them in their pure form and to administer them efficiently.

Recently, he drew a revealing parallel between the somewhat approximate success the G7 group of industrialised countries has in co-ordinating policies and that of the Italian government and parliament.

Individual Italian Ministers, he wrote, feel little in the way of collective solidarity. They form part, instead, of a triangular imperative whose other two sides are the "client" parliamentary committee and organised interest groups.

Giuliano Amato: First budget lacked needed austerity

"The government decides one thing about a brigadier's career but the competent minister, with this or that undersecretary, goes into the defence committee and decides the opposite."

By which he means that parliamentary majorities give an Italian coalition government little assurance of imposing its will. The Parliament has too many delegated powers and party discipline among the dominant Christian Democrats is too weak to guarantee the government's line. Thus, Mr Amato's 1988 budget emerged from the Parliamentary process as an extravagant parody of the original.

The problem is compounded by political rivalries within the coalition.

Mr Amato is a Socialist who can sit comfortably on the side of the budgetary angels because a new discipline should damage Christian Democrat powers of patronage much more severely than his party's.

Mr Emilio Colombo, the Finance Minister, is a Christian Democrat who has built a towering political position in his native Basilicata by affording the region a steady hosing of public money. Although Mr Colombo is now trying to bite the bullet, taking some back in the form of higher taxes challenges the habits of a lifetime.

Mr Amato's regular lectures on the structural obstacles to budgetary reform are entertaining and to the point. But they are no great help in convincing financial markets that the government is truly able to carry through its enormously desirable plan for balancing the Italian current spending net of debt interest payments with revenues by 1991-92.

The Treasury Minister rightly believes that reforming the political institutions and parliamentary practices is an essential parallel objective without which public finances cannot be transformed.

But if, in their handling of the 1989 budget in the autumn, those who populate the institutions still prefer to shower public money rather than save it, it is not unreasonable for the markets to fear that they will be similarly Augustinian about political reform, favouring a more efficient political set-up, but not yet.

And if the markets steadily lose all belief that the political system is capable of capping the public debt, what then will happen? Since there is no real historical precedent for a government continuing to pile up debt on the back of a peacetime economy registering relatively respectable annual growth rates, prediction is difficult.

But risk premiums would probably raise the cost of new bond issues and the term structure of interest rates would tilt even more sharply in the direction of brevity. The cost of the debt would increase and the problem become even more intractable.

In a situation of growing financial instability and, perhaps, political turmoil, the main obstacles to an Italian government then succumbing to the temptation to monetise some of the debt through inflation would be the absence of capital controls (scheduled to disappear in 1990 under European Community agreement) and the exchange rate disciplines of the European Monetary System. Would Italy then return to controls and leave the EMS?

The possibility that there may be no other options undoubtedly haunts the economic thinkers in the political establishment.

It has clearly been taken on board by Mr Ciriaco De Mita, who, in his first parliamentary speech as Prime Minister in April, starkly identified the debt problem as a threat to Italy's continued political and financial attachment to the process of European integration.

This autumn when a new and, we are promised, more austerely streamlined budget for 1989 takes wing we shall see more clearly how many of his parliamentary colleagues in the Christian Democratic Party have begun to see the abyss lying ahead. Will they, can they, find the will to take avoiding action? Or will only the panic of a full-blown financial crisis wrench them away from the customs and practices of 40 years?

UK GILTS

Dream time for debt managers

WHILE THE gilt-edged securities market is currently engaging in the depressing business of wondering if it has a future, an important event took place last week which the market largely ignored.

The Government decided to redeem early a $2.5bn foreign loan and announced its intention to create a market for short-term official debt denominated in European Currency Units.

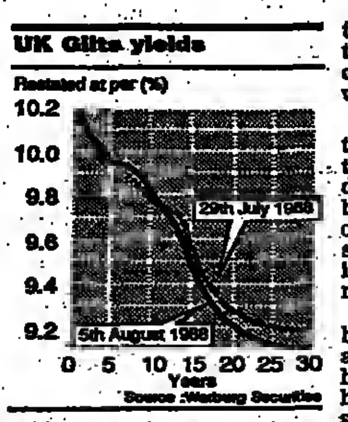
Although the latter is of limited short-term significance for the gilts market, the former does have one beneficial spin-off and points to longer-term implications for how the Bank of England will manage the national debt.

The spin-off from the dollar debt repayment is that it increases the amount of gilts the Bank will have to sell this year. In announcing the plan, the Treasury said the Bank had bought forward $1bn as part of the larger debt repayment.

The currency has been bought forward, but it is only settled when the forward contract is delivered – at or about October 7 when the foreign debt is redeemed. At that time the physical transaction will take place and the Bank plans to sell an equivalent amount of gilts (about £600m) to sterilise the transaction's effect on the money supply.

The larger implications of last week's move are also clear. The repayment of the foreign debt is just the external reflection of what is happening domestically: no need to borrow and a tendency for the actual stock of existing debt to be eroded.

The national debt as a percentage of national income has been on the decline since the late 1950s. The fall from about 60 per cent at the beginning of the 1970s until the mid-1980s was a function of inflation, but the outlook for the Government's finances is now the main reason for it falling.



This has left the debt managers at the Bank and the Treasury with a situation which few of them could have dreamed: managing the stock of outstanding debt to arrive at optimum maturity structures and average costs.

Some in the market have interpreted the Bank's recent actions as indicative of a change in its policy and possibly pointing to a more active debt management. They have noticed that the Bank is prepared to take stock off the market but less willing to let it out. Last Thursday, when there were definite signs of a shortage of longer stocks and the market was getting squeezed, the Bank was prepared only to engage in swaps.

Its recent actions seem, however, to be pretty much in line with its past behaviour of buying in a weak market and selling into a strong one. Signs of a change in policy will have to be a little more dramatic than that.

If the Bank and the Treasury are going to turn their attention to the national debt, and there are some tentative indications that they are, then what could they do?

The Bank, has, for example, the right to conduct a "reverse tender" for stock. Such a tender would be public and could be, for example, for a large line of long-dated high coupon securities, with the Bank asking for offers across a range of maturities.

As the authorities are in the business of borrowing money at the cheapest rate it might, having bought in an amount of high coupon long stocks, re-issue an equivalent amount of shorter stocks with lower coupons. This would achieve a shortening of the maturity structure of the debt as well as reducing its running costs.

A policy of funding such as this could generate considerable activity in the market in itself. If, however, it were also linked to a policy of consolidating the number of issues extant it might also help in the market's development.

There are now well over 100 separate traded gilts in the market, all with various coupons. One of the key reasons for this was that the Bank had to be sensitive to the needs of investors when it had to sell a vast amount of paper to finance public spending.

Now that the market is no longer driven by considerations of taxation, there can be little rational reason for continuing this situation.

In the interests of a liquid market, is there not a case for moving towards a situation where there are fewer but larger issues of outstanding gilts? Repackaging the national debt could be one way of doing it.

Simon Holberton

THIS WEEK

INFLATION FEARS and the outlook for interest rates could once again provide a theme for both UK and US financial markets this week.

Producer price statistics, covering the cost of raw materials for industry and factory-gate prices, will be published in the UK today and in the US on Friday.

Any sign of an upturn will be analysed carefully by foreign exchange markets and could increase speculation about further rises in the cost of borrowing.

The MMS International survey of analysts' forecasts suggests UK input prices will rise 0.6 per cent in July after seasonal adjustment – much less than the 1.8 per cent rise in June.

This would mean the annual rate of increase would fall from about 5 per cent to just above 4 per cent, perhaps giving some reassurance that raw material prices are not accelerating.

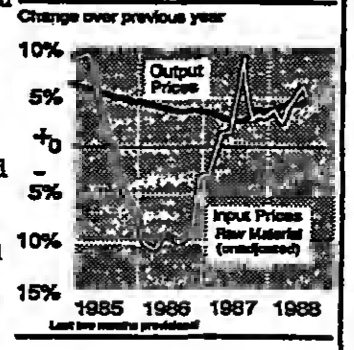
However, changes to the method of calculation of the input series could make year-on-year comparisons more difficult than usual.

Output prices are expected to show a rise of 0.3 per cent in July. This would take the annual rate to just below 5 per cent, slightly higher than last month.

In the US, the producer price index for July, covering factory gate prices, is expected to show a 0.5 per cent increase after a 0.4 per cent rise in June.

On Thursday, the Bank of England publishes the August issue of its quarterly bulletin. Analysts are likely to focus on its economic commentary, looking for any hints about whether further interest rate moves are likely.

After six interest rate rises in quick succession during June and July, the bulletin may give some guidance about whether the monetary authorities believe current exchange rates and interest rates will succeed in their aim of slowing economic growth.



In Japan, preliminary customs cleared trade figures for July, due on Friday, could upset the pro-dollar sentiment that has prevailed on foreign exchange markets in recent weeks.

The figures are expected to confirm the recent upward trend of Japan's merchandise trade surpluses on the back of a resurgence of exports.

Many Tokyo economists have been disturbed by the strengthening trend of the dollar in recent weeks against what they see as the continuing underlying trend of large trade and current account imbalances and the steadily worsening indebtedness of the US.

Other events and statistics this week (with MMS International consensus forecasts in brackets) include:

Today UK final retail sales and credit business in June.

Tuesday US Treasury three-year note auction.

Wednesday US Treasury 10-year note auction.

Thursday US retail sales for July (+0.4 per cent). UK Department of Trade and Industry figures for vehicle production in July.

Friday US manufacturing and trade inventories for June (+0.5 per cent).

This announcement appears as a matter of record only.

New Issue 24th March, 1988

£125,000,000

The Royal Bank of Scotland plc

10⅝ per cent. Subordinated Bonds due 1998

Guaranteed on a subordinated basis by

The Royal Bank of Scotland Group plc

Issue Price 101⅜ per cent.

Union Bank of Switzerland (Securities) Limited

Charterhouse Bank Limited | Chase Investment Bank
Merrill Lynch International & Co. | Security Pacific Hoare Govett Limited
S. G. Warburg Securities

Banque Bruxelles Lambert S.A. | Baring Brothers & Co., Limited
Crédit Commercial de France | Goldman Sachs International Corp.
Hambros Bank Limited | Kidder, Peabody International Limited
Kleinwort Benson Limited | Nomura International Limited
Phillips & Drew | Salomon Brothers International Limited
Shearson Lehman Brothers International | SBCI Swiss Bank Corporation Investment banking

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This announcement appears as a matter of record only.

New Issue 12th April, 1988

ECU 150,000,000

European Investment Bank

7½ per cent. Bonds due 1996

Issue Price 101¾ per cent.

Union Bank of Switzerland (Securities) Limited

Banque Bruxelles Lambert S.A. | Banque Paribas Capital Markets Limited
Cassa di Risparmio delle Provincie Lombarde-CARIPLO | Crédit Commercial de France
Crédit Lyonnais | Deutsche Bank Capital Markets Limited
Mitsubishi Finance International Limited

BNP Capital Markets Limited | Banca Nazionale del Lavoro
Banco di Roma International S.A. | Bankers Trust International Limited
Banque Internationale à Luxembourg S.A. | Bayerische Hypotheken- und Wechsel-Bank Aktiengesellschaft
Bayerische Landesbank Girozentrale | Caisse Centrale des Banques Populaires
Daiwa Europe Limited | Generale Bank
Genossenschaftliche Zentralbank AG Vienna | The Long-Term Credit Bank of Japan (Europe) S.A.
Merrill Lynch International & Co. | Morgan Stanley International
The Nikko Securities Co., (Europe) Ltd. | Rabobank Nederland

This announcement appears as a matter of record only. These Notes have not been qualified for sale under the securities laws of the United States of America.

New Issue 5th May, 1988

U.S.$100,000,000

THE TORONTO-DOMINION BANK

(a Canadian chartered bank)

8 per cent. Deposit Notes due July 5, 1990

Issue Price 101.0625 per cent.

Union Bank of Switzerland (Securities) Limited

Banca del Gottardo | Banque Bruxelles Lambert S.A.
Banque Internationale à Luxembourg S.A. | Commerzbank Aktiengesellschaft
Goldman Sachs International Corp. | McLeod Young Weir International
The Nikko Securities Co., (Europe) Ltd. | Prudential-Bache Capital Funding
Swiss Cantobank (International)

This announcement appears as a matter of record only. These Notes have not been qualified for sale under the securities laws of Canada or the United States of America.

New issue 28th April, 1988

Can. $300,000,000

BCE Inc.

9⅝% Series 4 Notes, Due 1993

Issue Price 101⅜%

Union Bank of Switzerland (Securities) Limited

Crédit Lyonnais | Dresdner Bank Aktiengesellschaft
Generale Bank | Hambros Bank Limited
Merrill Lynch International & Co. | Nomura International Limited
RBC Dominion Securities Inc. | Salomon Brothers International Limited
Wood Gundy Inc.

Julius Baer International Limited | Burns Fry Limited | Chase Investment Bank
Lévesque, Beaubien Inc. | Manufacturers Hanover Limited | McLeod Young Weir International Limited
Merck, Finck & Co. | Richardson Greenshields of Canada (U.K.) Limited
Schweizerische Bankgesellschaft (Deutschland) AG | Schweizerische Hypotheken- und Handelsbank
Vereins- und Westbank Aktiengesellschaft

INTERNATIONAL CAPITAL MARKETS

EUROCREDITS

Active summer in the Mediterranean

THE THOUGHTS of those who suffer the privations of what passes these days for summer in northern Europe (last weekend notwithstanding) often turn to Mediterranean climes.

This is particularly true this year for bankers in the international loans market, where, in what is normally its quietest period, several financings for countries in that region are under way.

Morgan Grenfell and Imil, the bank of IMI, the Italian state holding company, are syndicating a $288.6m refinancing of bilateral debt between Italy and Brazil. The refinancing, a consequence of Brazil's earlier problems in repaying its debt, is 100 per cent the risk of Sace, the Italian export credit agency.

The new financing carries a final maturity of July 1992 and an average life of 2.4 years. The margin is 17.5 basis points above London inter-bank offered retes.

The syndication of a $100m loan for Banque Exterieure d'Algerie has been extended. The seven-year loan carries a four-year grace period and a margin of ⅞ point over Libor.

The loan, for which Gulf International Bank is the agent, is underwritten by seven banks, including Chase Manhattan, the first US bank to underwrite a financing for the country in three years. Eleven banks have already joined in syndication, achieving a sell-down of almost 27 per cent.

With a sell-down target of 30 per cent, the lead banks say they are well pleased with the response so far.

In the UK, Charterhouse has disclosed terms of the £250m financing it was mandated to arrange for Lowndes Ventures to finance part of its acquisition of Harris Queensway. Joint lead underwriters are Charterhouse, Royal Bank of Scotland and Midland Bank, whose Montagu unit is co-ordinating syndication.

The six-year facility amortises from the end of year one and loan outstandings are forecast to fall significantly in the first two years. Interest margins start at 1.75 percentage points, reducing in stages to 1 percentage point.

Citicorp is syndicating a $60m financing for NMC Group, the UK packaging and plastics concern, to finance its acquisition of Universal Packaging of the US. The seven-year financing, $45m of which is a term loan and $15m of which is for working capital, pays a commitment fee of ¼ per cent and a margin which works out at about 1 percentage point.

Lloyds Merchant Bank is syndicating a £120m financing for Spitalfields Holdings, owner of the 1m sq ft Spitalfields commercial development just outside the City of London. The funds are to finance the equity in the project's ultimate owners, BICC, Costain and London and Edinburgh Trust. This last stage of the financing carries no recourse to the property but is guaranteed severally, as the lawyers say, by the three companies. There is a tender panel, a facility fee of 10 basis points and a maximum margin of 15 basis points.

Chase, which last week completed a £100m facility for the Abbey Life Group, is syndicating the financing of a Boeing 747-288C air freighter with GE engines to Air France. A Chase leasing company in Tokyo will own the aircraft, 23.1 per cent of the financing for which is being provided by a Japanese leasing syndicate and the rest, amounting to about $80m, by a syndication among banks which have no problem with Japanese withholding tax.

This latter credit has a 13-year final maturity, an 8.72 year average life.

Stephen Fidler

EUROMARKET TURNOVER ($m)

Primary Market	Straights	Conv	FRN	Other
US$	897.7	362.3	482.0	9,027.4
Prev	9,386.4	643.0	395.0	10,289.3
Other	1,069.1	1,267.8	284.0	1,053.2
Prev	2,458.8	308.7	3,045.4	1,506.9
Secondary Market				
US$	18,634.5	1,366.3	5,105.4	5,624.8
Prev	15,809.6	1,203.1	4,835.3	6,958.6
Other	14,445.9	1,918.3	4,101.7	15,958.3
Prev	17,676.3	1,336.2	4,084.8	20,657.6

	Cedel	Euroclear	Total
US$	11,921.3	29,579.1	41,500.4
Prev	13,140.9	36,369.4	49,510.3
Other	19,243.3	20,855.0	40,098.3
Prev	23,823.3	27,251.4	51,074.7

Week to August 4,1988. Source: AIBD

INTERNATIONAL BONDS

Japanese equity warrants poised for resurgence

SYNDICATE managers effectively prevented from issuing Japanese equity warrant deals for the last fortnight might be a bit bolder this week. The recent informal agreement to restrict new issuance appeared to hava the desired regenerative effect on the grey market and the coast is clear for a few more new deals.

It will be interesting to see how many emerge, however. Although the Tokyo stock market continues to post record highs – so frequently now that it fails to excite mnch notice – the mood in the equity warrant bond sector is cautious, to say the least, after last montb's experiences. It also seems unlikely that the sector will escape the general malaise hanging over the rest of the Eurobond market.

The relatively swift return to more rational pricing and orderly trading practices has been hailed by many operators as a clear sign that the equity warrant market, regarded for so long as rather marginal and speculative, has finally grown up.

Others have pointed out, however, that the recent crisis stemmed directly from its break-neck growth in too short a period and, although the market has attained a respectable depth, there are still times when it exhibits a relative lack of sophistication.

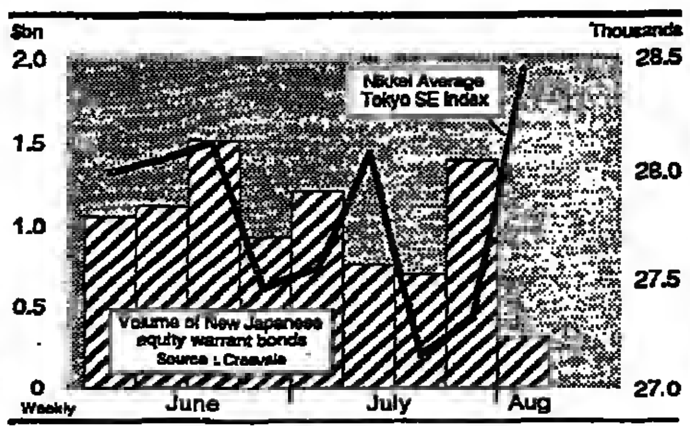
The moratorium on new deals, reluctantly agreed to by the major lead managers following pressure from the main non-Japanese houses, was obviously the appropriate remedy for the bout of chronic oversupply which hit the sector two weeks ago. When a couple of new bonds surfaced last week they carried sharply higher coupons, set a full point above the level seen for the greater part of the year when the market was steaming ahead.

They included Mitsui Toatsu Chemical, Nippon Fire & Marine Insnrance and Nichirei, the cold storage company, which all met a far happier reception than their immediate predecessors.

The first two borrowers were particularly popular. Mitsui Toatsu anded the week bid around par, Nippon Fire at 99 and Nichirei around 98, a substantial improvement on grey market prices of as low as 90 and 91 seen on a handful of deals only a few days before.

More realistic conpon levels – 4½ per cent on the four-year deals and 5¼ on five-year maturities – have certainly boosted the deals, hut dealers pointed out that these names were also decidedly more welcome than those of some of the distinctly second-rate atocks which had previously tapped the sector.

A senior warrant trader said:



"Investors have returned to a more selective mode, thinking hard about the underlying stocks before rushing into the deals, and it wouldn't be a bad idea if the syndicate managers did just the same."

Sentiment has also been greatly buoyed by the latest rally on the Tokyo stock market. Share price movements are expected to exert greater influence than ever on the new equity warrant bond calendar.

The Nikkei stock market index rose to a high of 28,366 last Tuesday only to exceed this on Friday with a new record level of 28,423, fuelled largely hy speculative buying. Trading was strictly focused, patchy and driven largely by financings as various sectors took turns in vogue.

Last week, these included department stores, financials and paper and pulp companies – the last apparently propelled higher by rumours, later quashed, that the emperor was in ill health. The coronation of a new emperor would entail the reprinting of all official stationery, calendars and the like.

The sbort-term outlook remains favourahle although most analysts seem to think upside potential is limited because there are few fundamentals to pnsh the market any higher. The current rally has occurred against a background of relatively thin volume, and trading activity will have to pick up for momentum to be maintained.

Furthermore, the price rises appear to owe more to a fall-off in selling pressure than to a surge in buying, another factor which could limit the rally.

Clearer market direction will probably not be apparent until later in the month. Although Japan does not experience a summer holiday exodus as pronounced as Europe's, several Tokyo fund managers are expected to be away during the coming Obon festival when Japanese families traditionally honour the spirits of their ancestors. This could curtail the more extreme activities of some brokers for the next couple of weeks.

This anticipated lull is bound to accelerate the move of relatively cbeap warrant bond paper still cluttering up lead managers' and market makers' books, making room for a few selected new issues. Quality and not quantity, bowever, is expected to be the new yardstick when the primary market gets back into full swing.

The minimum size for new issues in which an active two-way market is guaranteed will be on the agenda when the market makers in the sector hold their regular meeting next month. The frayed tempers seen during the oversupply crisis last month have been mollified by the latest truce and the chances of reaching a compromise on new trading guidelines look decidedly brighter than for some time.

Many market makers, most of them non-Japanese houses, were frustrated by the lead managers' apparent lack of compunction in effectively dropping some of their smaller and less attractive deals by failing to make a genuine two-way market in them.

Most are now optimistic that they will agree on a minimum issue size for active trading, probably of $150m. For deals smaller than this, demand will depend on the attractiveness of the company in question, thus putting an extra burden on the lead managers who are beholden to their issuers.

● The World Bank is issuing a Y70bn Daimyo bond in the domestic Japanese yen market. The coupon on the bonds is 5¼ per cent and the issue is priced at 100½. The final maturity is 10 years, giving a 5.12 per cent yield on a semi-annual coupon equivalent basis. The issue is through Yamaichi Securities.

Although issued in the domestic market, Daimyo bonds incorporate special features to boost liquidity. These include the settlement of trades through international book-entry clearance systems and listing on the Luxembourg Stock Exchange. The issue may also be reopened and increased with further offerings featuring the same maturity and coupon.

Dominique Jackson

NEW INTERNATIONAL BOND ISSUES

Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Book runner	Offer yield %
US DOLLARS							
Matsuyadenki Co.♦◆	70	1993	5	4⅞	100	New Japan Secs.	4.875
Tobu Railway Co.♦◆	200	1993	5	4¾	100	Yamaichi Int.(Eur)	4.750
Sumitomo Metal Mining ♦◆	300	1992	4	4	100	Daiwa Europe	4.000
Anheuser-Busch Co.◆	100	1992	4	9⅛	101⅜	J.P.Morgan Secs.	8.703
Abbey National BS◆	200	1993	5	9⅜	101⅜	J.P.Morgan Secs.	9.021
B.P.America Inc.◆	100	1989	1	10½	102.80	Daiwa Europe	7.490
Mitsui Toatsu Chemical♦	200	1992	4	(4½)	100	Nomura Int.	*
Nippon Fire & Marine Ins♦	100	1993	5	(5¼)	100	Yamaichi Int.(Eur)	*
Sweden◆	200	1990	2	8⅝	100.95	Nomura Int.	8.092
Nichirei Corp.♦	100	1992	4	(4½)	100	Yamaichi Int.(Eur)	*
American Brands§	200	2003	15	(5¼-6½)	100	Morgan Stanley	*
CANADIAN DOLLARS							
Nordic Investment Bank◆	100	1998	8	0	46.55	Wood Gundy	10.030
D-MARKS							
Hypobank Int.Lux.◆	100	1993	5	5¾	100½	B'ische Hypotheken	5.633
Pohjola Insurance Co.◆	85	1993	5	6	100⅞	Dresdner Bank	5.793
I.K.B.Int. Lux.◆	75	1993	5	6	101½	IndustriekreditBk.AG	5.647
SWISS FRANCS							
Sunstar Inc.**§◆	80	1993	-	½	100	Credit Suisse	0.501
Sata Construction**§◆	50	1993	-	½	100	SBC	0.500
Hotel New Hankyu Co.**§◆	50	1993	-	1¾	100	SBC	1.750
Onamba Co.**§◆	20	1993	-	½	100	Bank Julius Baer	0.501
Ishizuka Glass**§◆	60	1993	-	½	100	Credit Suisse	0.500
Nakamichi Corp.**§◆	50	1994	-	¼	100	UBS	0.250
Yuasa Funashoku Co.**♦◆	70	1993	-	1¾	100	B.della Sviz.Ital.	1.750
Mitsubishi Bank Ltd.**§◆	200	1992	-	½	100	Credit Suisse	0.500
Mitsubishi Bank Ltd.§◆	200	1992	-	½	100	Credit Suisse	0.500
Mitsubishi Bank Ltd.**§◆	200	1992	-	0	100	Credit Suisse	-
Tachibana Shokai§	20	1993	-	(½)	(100)	Handelsbk Natwest	*
Ryoden Service co.**	50	1993	-	4⅝	100⅛	UBS	4.596
Hokuetsu Ind.Co.**§	30	1993	-	(½)	100	B.della Sviz.Ital.	*
Manitoba**◆	100	1992	-	4½	100½	UBS	4.361
LUXEMBOURG FRANCS							
TNT IPEC Finance B.V.**◆	300	1993	5	7⅝	100⅛	Bqe Generale Du Lux.	7.594
Christiania Bank Oslo**◆	300	1993	5	7½	100⅛	Paribas Lux.	7.469
Credit Europeen**◆	300	1993	5	7½	100¼	Credit Europeen	7.438
STERLING							
T.M.C.Mortgage Sec.No.9‡◆	200	2018	7.2	(a)	100	Salomon Brothers	-
Mortgage Funding Corp.2‡◆	115	2023	7-9	(c)	100	Kleinwort Benson	*
YEN							
PK Banken‡◆	5bn	1993	5	(b)	100.10	LTCB Int.	-
Den Danske Bank◆	5bn	1992	4	5½	101½	Nikko Secs.(Eur)	5.076
World Bank◆(d)	70bn	1998	10	5¼	100½	Yamaichi Secs.	5.185
FRENCH FRANCS							
Deutsche Bk N.V.Curacao◆	500	1993	5	8½	101⅛	BNP Cap. Mkts.	8.217

*Not yet priced. ‡Floating rate note. ♦With equity warrants. §Convertible. ◆Final terms. (a)Coupon at 32½ basis points over 3 month Libor for the first 10 years, thereafter 50 basis points over 3 month Libor. Expected average life 7.2 years. (b)Coupon fixed semiannually at 5 year Yen Swap Rate less 30 basis points.(c)As in (a),except expected average life 7-9 years. (d)Daimyo issue. Note yields are calculated on a AIBD basis.

INTERNATIONAL CAPITAL MARKETS

US MONEY AND CREDIT

Fed squares up to a no-win policy decision

THE Federal Reserve Board, increasingly receiving plaudits for its subtle management of financial markets, may nevertheless be damned by those very markets if it does or does not tighten monetary policy again.

It is a difficult question whether the US Treasury bond market fears another tightening move or a lack of one more.

Last Friday, it was the prospect of higher interest rates which sent prices down by a full point in the wake of an extremely strong set of employment figures. But, if the Fed funds rate stubbornly sticks in its current range between 7¾ per cent and 7⅞ per cent in the next few weeks, bond traders will run even more scared.

If the Fed were to decide not to tighten any further, those who have been applauding the responsiveness of Mr Alan Greenspan, the Fed chairman, to inflationary pressures in the economy would just as swiftly turn around and accuse the chairman of irresponsibility and even of putting the Republican cause before good management of the economy.

The justification for tighter monetary policy seems to be undoubted. Last week's series of economic figures all pointed to a robust economy. Factory orders jumped 5.5 per cent in June and the rise was not all in the defence sector.

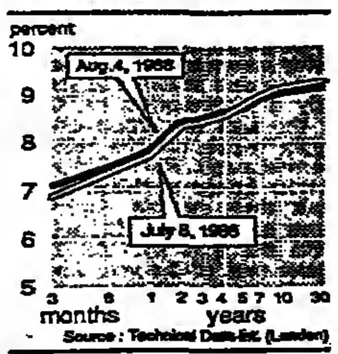
Single family home sales surged by 8.5 per cent in the same month, and there may have been an element of people trying to beat higher mortgages expected in the months ahead. Nevertheless, everything in the economic release pointed to a healthy housing market.

Leading indicators rose 1.4 per cent in June. Although the indicators were revised downwards in April and May, the June surge was still the largest monthly increase since December 1986 and not the kind of figure one would expect if the economy was beginning to slow down.

Then there were the unemployment figures. Every element pointed to strong if not accelerating growth and to evidence that wage increases are beginning to pick up speed.

Taken together with the section in the Fed's Tan Book, compiled from regional Federal Reserve bank reports, which talked of capacity constraints, rising materials prices and labour market tightness, the odds of a further tightening in policy seem to be high.

US Treasury yields



Source: Technical Data Int. (London)

However, nobody expects any dramatic lurch in policy. The most likely scenario is that the Fed will continue gently, almost imperceptibly, to encourage the Fed funds rate to rise. A discount rate remains unlikely.

Mr Larry Leuzzi, fixed-income economist with Warburg Securities in New York, reckons that Fed funds will gradually drift higher, hitting 8 per cent perhaps after about two weeks.

It seems doubtful whether much evidence of tightening will emerge this week, which is a particularly sensitive one not only for bond market traders but also for politicians.

First, it is the week of the Treasury's quarterly refunding, which already has to overcome possible investor unease with some unusual elements, notably the lack of a long bond and unusually large $11bn auctions of three-year and 10-year notes.

Nikko Securities reports great interest in Treasuries from Japan. From January to July, Japanese net bond purchases overseas totalled more than $50bn, of which 70 per cent to 80 per cent was dollar-denominated.

From its soundings, Nikko concludes that Japanese investors believe the dollar will be weaker by the end of the year but that its current stability will last beyond the refunding. They also view the current yield spread between dollar and yen bonds as "about right."

With domestic demand for Treasuries almost non-existent, the number of Japanese who show up at this week's party will be crucial.

One plus point is that the sharp drop in prices last Friday, which reversed the technical gains scored earlier in the week, have made yields that much more attractive.

Nevertheless, the Fed will not want to unsettle the market with any overt policy moves. It will also be concerned not to pour damp water on Vice President George Bush's glory hour at the coming New Orleans Republican convention. Mr Bush has *already expressed* concerns about any undue tightening in monetary policy.

Another reason that the Fed has to proceed cautiously is that the dollar, which is already putting a great deal of pressure on the Bundesbank, has only just raised its Lombard rate.

The US cannot risk an uncontrolled surge in the dollar which would put further pressure on the West German D-Mark and therefore upward pressure on German interest rates.

The risks were clear last Friday when the dollar leapt to its highest level against the D-Mark this year.

The next meeting of the Federal Open Market Committee is on August 16 and the Fed will have to decide whether to tighten this month or whether to wait for more economic data and move in September. Because the election is getting nearer, the timing of any tightening moves becomes even more crucial and the Fed may decide to act now to get bad news out of the way as early as possible.

While the primary focus of the bond market this week will be the Treasury auctions tomorrow and Wedoesday, there are also some economic releases of particular interest.

One which could have most influence on bonds is the release on Friday of July figures for producer prices, expected to rise by 0.5 per cent.

Janet Bush

US MONEY MARKET RATES (%)

	Last Friday	1 week ago	4 wks ago	12-month High	12-month Low
Fed Funds (weekly average)	7.78	7.77	7.65	7.83	6.27
Three-month Treasury bills	6.92	6.95	6.65	7.17	5.03
Six-month Treasury bills	7.25	7.13	6.96	7.65	5.73
Three-month prime CDs	8.18	8.20	7.88	8.28	6.67
30-day Commercial Paper	7.85	7.85	7.65	7.62	6.52
90-day Commercial Paper	8.00	8.08	7.72	8.05	6.60

US BOND PRICES AND YIELDS (%)

	Last Fri.	Change on wk	Yield	1 week ago	4 wk. ago
Seven-year Treasury	99⅝	+⅛	8.96	8.97	8.90
20-year Treasury	101½	+½	9.21	9.24	9.24
30-year Treasury	100	+⅜	9.13	9.22	9.10
New 10-year "A" Financial	n/a	n/a	9.90	10.00	10.00
New "AA" Long utility	n/a	n/a	10.20	10.25	10.25
New "AA" Long Industrial	n/a	n/a	10.15	10.20	10.25

Source: Salomon Bros (estimates).

Money supply: In the week ended July 25, seasonally adjusted money supply rose by $500m to $781.8bn

NRI TOKYO BOND INDEX

December 1983 = 100	PERFORMANCE INDEX 4/8/88	Average yield (%)†	Last week	12 wks ago	26 wks ago
Overall	143.88	4.73	143.76	144.00	142.50
Government Bonds	144.19	4.47	144.07	144.94	143.21
Municipal Bonds	145.84	5.00	145.76	145.37	144.29
Govt.-guaranteed Bonds	147.35	4.98	147.25	146.84	145.66
Bank Debentures	137.84	4.66	137.72	137.71	136.68
Corporate Bonds	144.40	5.42	144.25	143.47	141.52
Yen-denom. Foreign Bonds	146.49	6.37	146.30	144.27	141.27
Government 10-year†	5.16	n/a	5.14	4.94	4.73

† Estimated par yield

Source: Nomura Research Institute

Japan acts on interest rate curbs

By Ian Rodger in Tokyo

THE JAPANESE Ministry of Finance has announced further steps in its programme to remove controls from interest rates on bank deposits.

From November, controls on interest rates on large-scale time deposits down to Y30m ($234,215) will be removed. At present all deposits below Y50m are subject to controlled rates.

The ministry also said it would lower the ceiling for controlled rate deposits to Y20m next spring and to Y10m in the autumn of 1989.

The gradual decontrol of interest rates on deposits has been one of the main features of the deregulation of Japanese financial markets in the last four years. However, so far it has affected only interest rates on large-scale deposits.

Decontrol of interest rates on small-scale deposits has been strongly resisted by the Ministry of Posts and Telecommunications (MPT), which operates a huge postal savings system. Hopes that progress would be made in this area this year have apparently diminished.

Finance officials said on Friday that they had begun negotiations with the MPT aimed at lifting controls on smaller deposit interest rates, but no moves were expected until next spring.

FT/AIBD INTERNATIONAL BOND SERVICE

US DOLLAR STRAIGHTS	Issued	Bid price	Chg on week	Yield
ABN BANK 8½ 92	150	96¾	+⅛	9.21
AETNA LIFE & CAS 7⅛ 16	200	94⅞	+⅛	8.28
AMFC O/S FIN 11½ 94	100	101⅞	−⅛	11.28
A.I.D.C 11 89	75	100⅞	0	9.48
ALBERTA 7¾ 91	750	95¾	0	8.86
ALCOA AUSTRALIA 11 92	00	101⅛	−⅛	10.62
[illegible]				

	Issued	Bid price	Chg on week	Yield
QUEBEC PROV 11 90	150	106¼	0	9.50
QUEENSLAND GOVT 11½ 89	100	102½	−⅛	9.26
RALSTON PURINA 11¼ 98	150	100¼	0	10.38
REYNOLDS R.J. 10¾ 93	200	102⅞	+⅛	9.60
RICHARDSON-VICKS 11⅛ 93	125	104¼	0	10.27
ROCKWELL INT 9⅞ 90	200	102⅞	0	9.08
S.A.S. 10¼ 95	150	101⅛	+⅛	9.75
S.N.C.F. 7¼ 94	175	91⅛	−⅛	9.38
[illegible]				

	Issued	Bid price	Chg on week	Yield
SOUTHWEST AIRLINES 6¼ 98	35	78¼	0	67.93
SWISS BANK CORP 6¾ 90	120	114½	+4⅛	−0.89
TEXACO CAPITAL 11½ 94	500	107⅞	+⅛	13.01
[illegible]				

STRAIGHT BONDS: [illegible]
FLOATING RATE NOTES: [illegible]
CONVERTIBLE BONDS: [illegible]
WARRANTS: [illegible]

INTERNATIONAL CAPITAL MARKETS AND COMPANIES

Enimont prepares to take on the world's chemical industry

John Wyles on the long-awaited public and private sector merger of the Enichem and Montedison groups

Mr Franco Reviglio's mood was nothing less than euphoric. "I feel drained, like after writing a book or taking final examinations," declared tha president of Eni, the Italian state energy group, on Friday evening after the Government had finally approved the long-awaited chemicals joint venture between Enichem and Montedison, officially baptised Enimont.

He saw nothing hyperbolic in his assertion that the project between public and private sectors was "the biggest industrial policy operation ever carried out in Italy."

The grandeur had been emphasised by the difficulties encountered during two-and-a-half years of often faltering discussions which were eventually rescued because Montedison's new owner, Mr Raul Gardini, the boss of the Ferruzzi agricultural empire, accepted the project's industrial logic and needed its financial benefits.

The agreement will lead to the launch next January of a group with an asset value of L8,500bn ($7bn), annual sales of L13,000bn and, on present performances, gross profits of about L1,000bn a year. Shareholders capital will total L4,000bn, of which about 80 per cent will be equally divided between Enichem and Montedison, and the remainder placed with third party investors.

It will start out with a significant debt burden since Mr Gardini has succeeded in placing L3,800bn (out of about L8,000bn) of Montedison's debt with the new company, while Enichem is committing L2,300bn. The L6,100bn total should be reduced to at least L5,500bn after third party investment.

The unequal debt allocation to Enimont from the two parents reflects differences in the asset values they are contributing. After serious difficulties over valuations, which at one time seemed to threaten the negotiations, Enichem's businesses were assessed at L4,000bn and Montedison's at L5,500bn.

The owners have agreed to leave all profits in the business in the first three years with the aim of amassing L2,000bn to reduce the debt burden.

Lorenzo Necci of Enichem: the new president

If profits are insufficient, then Enichem and Montedison will underwrite a capital increase to ensure the target sum is reached. The embargo on dividends, however, would not apply to third party investors.

According to Mr Reviglio, Morgan Stanley and Goldman Sachs, the merchant banks who have advised during the negotiations, gave assurances "that there will be no problem in selling the minority stake. We are aiming at 15 to 20 per cent, but if the demand is there, we could go higher, even to 30 per cent."

The Eni president sees much potential interest in Italy and abroad in a venture bearing a price earnings ratio of between four and five. Apart from the institutions, it is thought quite possible that the fibres subsidiary of Fiat-controlled Snia-BPD and Dow Chemical of the US may be among industrial companies looking for a stake.

The initial ownership arrangement between Enichem and Montedison is set to last for at least six years unless, at the end of three, Montedison offers to sell any of its more specialised chemicals businesses to Enimont. The most important candidate would be Himont, its 80 per cent-owned US subsidiary, which accounts for 20 per cent of the world market in polypropylenes and

Raul Gardini of Montedison: accepted project's logic

turned in profits of $227m in 1987.

In the event of any offer, it has been agreed that Eni could agree to expand Enimont and in so doing descend to a minority stake; it could refuse and buy out Montedison; or it could sell a controlling stake to Montedison. The Eni president said he was happy with these three options.

The negotiations had been "very tiring" but they had yielded a "very important joint venture for the future of this country," he said. There was every possibility of constructing a strong, profitable basic chemicals industry capable of competing at an international level and of reducing the deficit on Italy's chemicals trading account, which topped L7,000bn last year.

The management of the new company will be jointly led by Mr Lorenzo Necci, Enichem's softly-spoken and highly effective managing director, who will be its president, and Mr Sergio Cragnotti, the Montedison vice-president, who will be managing director.

Neither side sees much potential for conflict in this equal division of powers. The two managers will be guided by a detailed business plan which has already been negotiated and a controlling board requiring a 65 per cent majority for strategic decisions.

The business plan reportedly gives a clear picture of the strengths and weaknesses of the new venture. It foresees some rationalisation among the 70 industrial plants and 50,000-strong workforce with an initial need for about 4,500 redundancies. But according to Mr Reviglio, most of the necessary rationalisation in Eni-mont's two halves has already taken place.

In this case, overlapping activity is not a handicap since Enimont is looking for higher production at lower costs from the sum of its two halves. Investment requirements of L4,500bn in the next three years have been identified and soma L3,000bn has already been notionally allocated.

A much expanded effort will be put into research and development in a strategic plan, which also calls for a strengthening of international activities, particularly in elastomers, polyethylenes and polystyrenes, a greater exploitation of the existing product range through acquisitions, disposals and joint ventures, some new product development and selective specialisation in some fine chemicals.

Daimler reduces stake in Dornier

By Our Financial Staff

DAIMLER-BENZ, the diversified West German motor group, has reduced its holdings in Dornier, its aerospace subsidiary, to 54 per cent from 65.5 per cent by selling back shares to a member of the Dornier family.

The announcement came only a few days after the industrial group finally agreed with family shareholders in Dornier, who had been at odds for years over its control.

Daimler's reduced stake, however, is not likely to affect its control over the aerospace company. Under the compromise agreed with the Dorniers, Daimler was granted total control over Dornier while giving financial concessions in return. The Dornier family gave up the right to veto decisions on company policy.

Daimler said the company had returned an 11.5 per cent stake in Dornier to Mr Silvius Dornier, who temporarily consigned these shares to Daimler when he and his relatives sold a majority of the company to Daimler in 1985.

Mr Silvius Dornier and the heirs of Mr Claudius Dornier now hold 21.24 per cent each.

GM seeks car rental holding

By James Buchan in New York

GENERAL MOTORS looks set to follow Ford and Volvo into the multibillion dollar US car rental industry after the weekend announcement that it is seeking a big stake in National Car Rental.

The US motor manufacturer said it was negotiating to buy a "substantial minority interest" in National as part of a reorganisation of the ownership of the third largest US car rental company.

Fidelco, a private New Jersey investment company, is buying out its two partners in an investor group that acquired National from Household International for $1.5bn in 1986. The two partners are PaineWebber, the Wall Street investment firm, and Ardshiel, a small New York firm.

None of the participants would say how much Fidelco was paying. The three firms originally put up $459m in cash for National and assumed $1bn of debt.

GM said yesterday that it saw National as a "good investment" rather than as a purchaser of its vehicles. GM already supplies 75 per cent of National's fleet in the US.

In June, Volvo of Sweden bought 20 per cent of Hertz for $100m from Ford, which backed a management buyout of the market leader last year.

Troubled FCA shows further loss in quarter

By Our Financial Staff

FINANCIAL Corporation of America, the largest but deeply troubled US savings and loan institution, reported further losses in the second quarter of $160.5m, reflecting the continuing drag of non-performing assets and lower income from loans and mortgage securities.

Tha company, parent of American Savings and Loan Association, lost $176.8m a year earlier and in the latest half losses rose to $223.6m compared with $167.6m a year ago.

Mr William Popejoy, chairman, said: "We are hopeful that capital relief will come soon and that it will provide the boost needed for us to stop the further financial deterioration of the association."

Mr Robert Bass, a prominent Texas investor, is negotiating the purchase of American Savings and Loan, which has assets of about $30bn.

Cofir buys into health insurer

By Tom Burns in Madrid

COFIR, the Spanish investment arm of Cerus, Mr Carlo De Benedetti's European holding company, has conducted its second large raid this year into the domestic market with the acquisition of 40 per cent of Sanitas, Spain's leading private health insurance company.

Cofir said full details of the deal, including the price of the acquisition, would be made public next month. It added that the agreement would strengthen the health company's financial structure and would permit it to expand into other areas of the insurance business.

Last April, Cofir, which was launched in Spain a year ago, announced its first big investment with the acquisition of a 21 per cent stake in Pascual Hermanos, the country's premier citrus exporter.

In June, with the clear aim of building a war chest for further purchases, Cofir floated 15 per cent of itself on the Spanish bourse to raise Pta1.2bn ($10.5m) and announced plans to raise a further Pta4bn in convertible bonds.

Sanitas has been courted in the past month by a number of European companies. Wintharur, the Swiss insurance group, was understood to be Cofir's greatest rival for an agreement. The Spanish company earned Pta16.3bn last year in premiums.

Cusaf warns of uncertainty

By Jim Jones in Johannesburg

COMMERCIAL UNION South Africa, the associate of Commercial Union Assurance, benefited from better premium ratings in the six months to June 30 but warned that the insurance market was particularly uncertain.

Interim pre-tax profit rose to R19.5m ($7.92m) from R12.6m. For the whole of last year, the company turned in pre-tax profits of R26m.

Cusaf wrote R124.2m of net short-term premiums in tha first half against R105.1m last time, and R201.5m for tho whole of last year.

The interim underwriting surplus increased to R10m from R3.7m against a total underwriting surplns of R10.9m last year.

Publisher acquires Ottawa newspaper

Robert Gibbens in Montreal

OTTAWA, Canada's federal capital with a metropolitan population of about 500,000, may soon be getting a second daily newspaper.

Toronto Sun Publishing, one of the country's most aggressive publishing groups, is buying 90 per cent of Sunday Herald, the weekly tabloid. Toronto Sun will rename it the Ottawa Sun, spruce up the Sunday tabloid edition and, if the market justifies, take it daily next spring.

Mr Donald Creighton, Toronto Sun president, says the deal was conducted for less than C$1m (US$83m), and the minority shares will be retained by the five-year-old Herald's founders. Toronto Sun is in effect buying circulation of about 30,000 a week

The Southam-owned Ottawa Citizen, which publishes six days a week and has an average daily circulation of about 200,000, will have real competition for the first time since 1980 when the Ottawa Journal, owned by Thomson Newspapers, folded.

The Toronto Sun, controlled by Maclean Hunter, is majority owner of the Financial Post.

Cepsa lifts profit by 30% in first half

By Our Madrid Correspondent

CEPSA, the Spanish oil refiner controlled by Banco Central and linked to Abu Dhabi's International Petroleum Investment (IPIC), has posted pre-tax group profits of Pta13bn ($105m) in the first six months of this year, a 30 per cent increase on the first half of 1987.

At the beginning of this year, IPIC acquired 10 per cent of Cepsa's stock and undertook to supply its new partner with 60,000 barrels a day of crude, close to a third of its requirements. The deal included a framework for co-operation in the Spanish company's chemical and petrochemical interest.

Cepsa said the group's turnover over the six months had topped Pta260bn and generated Pta14.7bn worth of cashflow.

There was no comment by the group on market reports that IPIC could seek to increase its holding in Cepsa. The company is, however, at an interesting stage in its development due to the on-going merger between Banco Central and Banco Espanol de Credito.

Benlox completes first stage of transformation

By Andrew Hill

BENLOX HOLDINGS is to buy W.Arnold & Sons, an engineering company, for £3.09m in cash, a deal which would increase Benlox's holding of undeveloped land in Kent to about 91 acres.

The company says it has now completed the first stage of transformation from a small investment dealing and civil engineering business into a property and construction group, a programme begun just over a year ago with the purchase of Nolton, the building, property and services company. The £15m "demerger" bid for Nolton was later overshadowed by a similar, but unsuccessful £20m approach to Storehouse, the retail chain.

W. Arnold has extensive holdings of land in Kent with potential for development, subject to planning permission, which could be added to land already owned by Arnold and Nathan, a Benlox civil engineering and construction subsidiary also based in Kent.

Benlox said it expected the acquisition, which is subject to shareholder approval, to lead to a number of a development opportunities as a result of property rationalisation between the two subsidiaries.

W. Arnold owns a 9.6 acre site at East Peckham, Kent. It also holds a further 57 acres of agricultural land nearby and a 45-acre quarry near Barming, Kent.

The company's major activity is general mechanical engineering, manufacturing pulp, paper and waste handling equipment. It produces waste compactors for major supermarket chains, among others, and is also involved in grit blasting, metal finishing and painting.

Benlox said W.Arnold's property had been valued on the open market at more than £4m. Combined with £1.8m of other net assets and taking into account a £300,000 provision for reorganisation of the business, Benlox estimates the company's adjusted net asset value at about £5.5m.

In the year to December 31 – which included the bid for Storehouse – Benlox lost £1.88m before tax.

SAC Intl warns on profits

By David Cohen

SAC International, design engineering and support services group, has warned that pre-tax profits for the year to August 31 1988 would fall about £1.7m short of analysts' expectations of £3.8m.

Mr William Neen, finance director, blamed market deterioration in the design services division – the traditional core now accounting for 35 per cent of its business – and said the division was expected to incur operating losses of £700,000.

This is the second time in as many years that SAC has disappointed the market. Last year the company missed its profit forecasts by almost £1m, blaming bad debts, sub-contractors' delivery failure and accountancy errors. Two executives were fired and others demoted as a result.

The share price of the USM-quoted company has fallen by more than half over the past year and on Friday retreated another 12p to 99p.

Mr Neen said reduced Government spending was a major contributing factor since 70 per cent of the design division's business was Government related. The other divisions were growing in turnover and pre-tax profit terms at 28 per cent and 18 per cent respectively.

Pressure on margins blamed for BCE setback

DESPITE A £1.38m improvement in turnover to £10.81m for the year to March 31, B.C.E. Holdings, USM-quoted maker and distributor of snooker and pool equipment, saw its profits for the period fall from £1.11m to £584,000 pre-tax.

As reported at the interim stage, margins were under severe pressure. Furthermore, the start-up costs of the European operation, wholly written off against profits, were considerably greater than anticipated and it had taken longer for the company to achieve break-even point.

Profits from the manufacture and sale of snooker, billiard and pool equipment fell from £586,000 to £50,000. A proposed final dividend of 0.6p makes 1p for the year. The company obtained a USM quote in October 1986 and for the period to March 31 1987 paid a dividend of 0.6p.

Holders Technology at £0.28m

Holders Technology, USM-quoted distributor of tools and equipment to the printed circuit board industry, raised its profits by £66,000 to £282,000 pre-tax for the half-year ended May 31. Turnover expanded from £1.18m to £1.44m.

As indicated in the prospectus of last March an interim dividend of 2p is being paid from earnings per 10p share of 6.68p (5.22p).

Mr Rndolf Weinreich, tha chairman, said expansion in the home market was being paralleled by moves to establish the company within Europe. A German subsidiary had been formed and some of the existing suppliers had extended Holders' exclusive distribntion agreements

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetables.

TODAY

Interims- Ansbacher (H.), Botswana RST, Pearson, Randall Inc., Relyon Group, Southampton IOW & SOE RM Stm. Pkt.

Finals- Compact, Howard Hldgs., Impala Platinum, Molinare Visions, Thorpac.

FUTURE DATES

Interims-

Anglo American Ind. Corp.	Aug. 18
Arley Hldgs.	Aug. 9
Dawson (Wm.)	Aug. 11
Fleming Merc. Inv. Tst.	Aug. 16
Microvitec	Aug. 15
Noble & Lund	Aug. 15
Provident Financial	Sept. 6
TR Ind. & Gen. Tst.	Oct. 31
Value & Income Tst.	Oct. 21
Woolworth Hldgs.	Sept. 14

Finals-

Beales (John)	Aug. 10
Flogas	Aug. 19
Galliford	Oct. 6
Kalamazoo	Oct. 20
Resort Hotels	Aug. 17

Harrisons & Crosfield sells Indian plantations

By David Cohen

HARRISONS & CROSFIELD, the conglomerate with interests ranging from chemicals to plantations, has sold its plantations holdings in India for £12m cash. It first bought into Far East rubber plantations in the late 1800s.

Mr George Paul, chief executive, cited prohibitive taxes and dividend constraints as reasons for the sale and said the company had no intentions of disposing of its remaining four plantation investments located in the Far East.

The company being sold – Malayalam Plantations Holdings – owns a 40 per cent stake in Harrisons Malayalam, a quoted tea and rubber producer in south India. The buyer is Ambledown Investments, a Jersey-registered investment company.

Based on the £275,000 net dividend Harrisons was able to repatriate last year, the consideration represents an exit p/e of 44 times, Mr Paul said.

FT Share Service

The following securities were added to the Share Information Service in Saturday's edition:

Bergesen A/S (Section: Shipping).

City of London PR Group (Paper).

Colefax & Fowler (Paper).

Oceana Development Investment Trust (Investment Trusts).

Prowting (Buildings).

Rechem Environmental Services (Chemicals).

Sound Diffusion 7¼% Conv. Red. Pref. shares (Electricals).

Southnews (Paper).

Argyle Trust

The £50m revolving credit facility organised by Argyle Trust is at ½ per cent over LIBOR, not 1½ per cent as stated in Friday's Financial Times.

Souza Cruz

Souza Cruz, 75 per cent-owned Brazilian snbsidiary of BAT Industries, reported net profits of Cz 6.68bn (£16.17m) for the six months to June 30 1988.

With inflation running at a high level, the results will be significantly devalued when translated at the end of the year, directors said.

Making pleasure his business

David Cohen on the policies behind the rise of Michael Ward

MICHAEL WARD was a thrusting merchant banker with a 13-year career in the City. Not one to indulge in relaxation, and more at home in the company of European financiers, Mr Ward was hardly the type to mix it with bouncers or bartenders.

But now, as executive chairman of European Leisure, the pubs and clubs group where recent acquisitions include the Camden Palace discotheque in London and Tito's Palace in Palma, Majorca, Mr Ward makes pleasure his business rather than business his pleasure.

In July 1987, he led a four-man management buy-in of Edenderry Shoes, a sleepy Irish footwear manufacturer. The shares had never risen above 120p but news of the impending takeover (via a £3.5m three-for-one rights issue) sent the share price rocketing to 1200p.

The intention was to use the I£2.4m (£2.13m) company as a vehicle for expansion into the leisure sector. A year on, with two name changes and three acquisitions worth £26m under his belt, Mr Ward speaks excitedly about "formula" restaurants and floating hotels.

"The highly fragmented and fast-growing leisure sector presents one of the few great opportunities left in the UK and Europe for business development," he says.

The industry, he argues, is replete with extraordinarily talented businessmen - people with great creativity and drive - who identify wholly with consumer demands but lack financial and managerial expertise.

In the three acquisitions to date - Lanton Leisure, Camden Palace Group and the Newcastle business interests of Mr Michael Quadrini - the corporate strategy has been to retain the vendors' entrepreneurial talents bnt supplement them with his own financial and administrative proficiency.

A career cutting across corporate finance and international banking with Morgan Grenfell, Samuel Montagu and briefly, SG Warburg, has left Mr Ward, now aged 40, well equipped for the role.

He can also call on his finance director, Mr Jeremy Howarth, friend from Cambridge days and fellow articled clerk at Peat Marwick, who left a position as Ladbroke group treasurer to help run European Leisure.

The initial scheme was to develop a disco division throughout Europe as one of three legs to the business, the others being theme pubs and restaurants. Hotels offering a range of recreational attractions are now identified as a "fourth tramrail."

However, Mr Ward plans to develop the three cash generative legs before moving into the capital intensive hotel industry.

"Floating hotels," he says, "cost one tenth the price of a landed hotel, and provide a natural extension to the leisure boat concept of the SS Tuxedo Princess developed by Mr Quadrini."

The sboe manufacturing operation, which in the year to June 30 1987 eked out a pre-tax profit of I£115,000 on turnover of I£4m, has never featured in the group's long-term plans. "We would hope to divest at the right price to a suitable buyer in the next 12 months," he says.

Immediate plans include opening two more discos and introducing a "concept" pub – on a yet undisclosed theme – in Scotland. "I would be bitterly disappointed if in five years' time, turnover was not well in excess of £150m."

Mr Ward is keen to dispel the image of a stuffy City executive, describing himself as "an entirely self-made man, the central energiser of the group, and a businessman first and foremost."

"I was born without a silver spoon in my mouth and used my after hours to finance many tens of property deals entirely on borrowed funds." An "iron determination to get out from under" made him a millionaire before the age of 30.

This street-wise approach is evident in the bands-on style of management he brings to European Leisure. "You'll find me routinely at Camden Palace or Tito's - I'm twisting and shouting bnt I'm also talking and listening and more than anything, I'm observing. I really have no difficulty in communicating with leisure types."

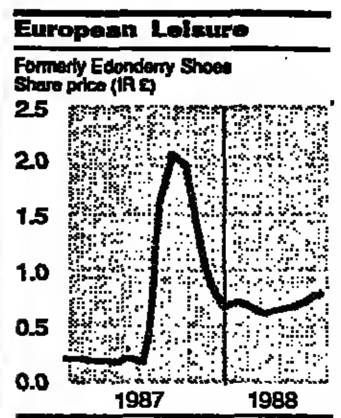
This ability with "leisure types" stuck in the mind of at least one broker who accompanied him to one of his nightspots. "Seeing him in his discos, watching him interact with doormen and bartenders - there was very little of the City man in evidence. Instead, I saw someone with a genuine enthusiasm for people and the businesses they were running."

But European Leisure has not yet grabbed the attention of the City. For the year to June 30 1989, the first in which acquisitions will make a full contribution, the Dublin-based National & City Brokers forecasts pre-tax profits of about £2.8m, sharply higher than the £1m expected to be reported shortly for 1987-88.

The decision to buy into a public company and build up a leisure operation was spurred by the turbulence in the post-Big Bang financial markets. Now, 17 months after divulging his plans to Mr Howarth - at an England v France rugby union international at Twickenham - he admits to a certain delight in running his own ship.

What about time for leisure? Yes, be enjoys the beach, but eventually be starts getting tense, he confessed as he rusbed for a luncb appointment with his "dance partner" - sbe just couldn't be kept waiting, he said.

Michael Ward: has no difficulty in communicating with leisure types.



COMPANY NEWS IN BRIEF

S & W BERISFORD, the commodities, property and financial services group, is selling its German metals trading subsidiary, Toma Metall, to its existing management for a "six figure sum".

CSC INVESTMENT Trust: Net asset value 108.85p (231.9p) per share at end-June. Interim dividend 4.2p (4p) and earnings 5.03p (3.57p). Net revenne for the half year £82,850 (£58,753). Further progress expected in second half.

EDINBURGH OIL and Gas: Pre-tax profits £36,000 (losses £76,000) on turnover of £44,000 (£147,000) for six months to June 30. Tax was £1,000 (nil) and earnings per share 0.26p (losses 0.57p). USM-quoted.

GEC has acquired for its Power Systems Group the Manchester-based switchgear company, Long and Crawford, from Quoteplan for £12.6m. Its pre-tax profits for the year to July 2 were £2m on turnover of £9.8m.

HAMBRO COUNTRYWIDE has exchanged conditional contracts for the purchasa of Chambers Cook and Stillman, surveyor and valuer. On completion £370,000 will be paid in cash with the balance of the consideration settled via tha issue of a maximum 676,333 shares based on profits performance.

HATFIELD ESTATES and Burton Property Trust have agreed a £14m joint development of the 12.5 acre Welwyn Business Park in Welwyn Garden City. Burton will take the lead development role and Hatfield the design and construction. Work is expected to begin in October.

HOBSON has agreed to acquire the homecare prodncts business of Sharpstow Chemical, which supplies own brand products to the Middle East and the Caribbean. Initial consideration of £500,000 will be satisfied via the issue of 1.46m new ordinaries of which 1.19m have been conditionally placed on behalf of the vendor. Further consideration of np to £250,000 is dependent on profits for the 19 months to end-March 1990.

IFICO has conditionally agreed to acquire, through its Nursing and Health Care Services subsidiary, Roseland and Vered, both nursing home operators. Consideration, based on net asset value at completion, is estimated at soma £1.8m and will be satisfied via the issue of 250,000 "B" ordinaries in N&HCS with tha balance in cash. IFICO will subscribe for 312,500 "A" ordinary shares in N&HCS.

IMRY MERCHANT Developers yesterday announced that it had become the equal partner of Northern England Development Associates in plans for a mixed property development on 600 acres near Ashford, Kent. NEDA has been seeking planning permission from the Ashford Borough Council.

MOWAT GROUP, working with Hertford Developments on a one-third profit sharing basis, has acquired a 4.23 acre site in Hertford to develop into a business park. The site was bought for £3m from Tarmac Properties. Mowat's recent rights issue was taken up as to 15.13m shares (97.73 per cent).

NORISH (Irish/Norwegian frozen food group): Of the offen offer of 1.2m new ordinary shares at I286p (247p) per share shareholders entitled to 744,107 gave undertakings not to take up their entitlements to enable these shares to be placed. Of the balance about 92 per cent of the 459,893 available under the offer were taken up, the remainder being placed with institutions and private clients.

NORTH BRITISH Steel: The recommended cash offer made for it on behalf of Aurora has been accepted in respect of 3.06m (60.1 per cent) ordinary shares. Acceptances and purchases amount to 4.03m (79.11 per cent) ordinary and the offer is now declared unconditional.

REDLAND intends to repay the outstanding £2.3m nominal of 7.5 per cent redeemable debenture stock 1990/95 at £98 per £100 nominal together with accrued interest.

RIGHTS AND ISSUES Investment Trust: Net asset value at June 30 on capital shares 340.6p (296.4p) and on income shares 99.3p (89.3p). Net revenue for six months to end June £88,834 (£72,676). Interim dividend 1.3p (1.2p).

SCOTTISH AMERICAN Investment Company reported net revenue for six months to June 30 of £2.57m (£1.89m). Earnings were 1.15p (0.85p) and the second quarter dividend is 0.59p (0.51p). A first quarter dividend of 0.56p (0.5p) has already been declared.

PENDING DIVIDENDS

	Date	Announcement last year		Date	Announcement last year
• BOC	Aug 10	Final 7.66	• GKN	Aug 10	Inter due
• BP	Aug 11	Inter 4.5	• Pearson	Aug 8	Inter 6.0
Brit Arrow	Aug 13	Inter 2.3	• R'l Dutch Pm.	Aug 11	Inter 4.5
• BSR Int'l	Aug 13	Inter 0.47	• Shell T&T	Aug 11	Inter due
• Comm Union	Aug 10	Inter 6.25	• Ultramar	Aug 10	Inter due
• Gen Accident	Aug 10	Inter 12.5	• Unilver	Aug 15	Inter due

FINANCIAL TIMES STOCK INDICES

	Aug. 5	Aug. 4	Aug. 3	Aug. 2	Aug. 1	July 29	1988 High	1988 Low	Since Compilation High	Since Compilation Low
Government Secs.	88.35	88.37	87.98	88.02	87.98	87.94	91.43	86.97	127.4	49.18
Fixed Interest	97.77	97.68	97.69	97.54	97.58	97.57	98.67	94.14	105.4	50.53
Ordinary	1512.8	1508.5	1502.0	1491.4	1496.5	1488.7	1512.8	1349.0	1926.2	49.4
Gold Mines	200.4	199.1	197.8	198.3	204.0	203.8	312.5	195.4	734.7	43.5
FT-Act All Share	978.32	975.20	972.14	966.77	969.89	965.18	978.32	870.19	1238.57	61.92
FT-SE 100	1875.9	1869.7	1865.1	1855.5	1862.2	1853.6	1879.3	1694.5	2443.4	986.9

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

Amer Spec Sits	5 63.47	63.47	67.59	1.46	40073
European Growth	5 17.99	17.99xd	19.15	1.30	40074
International	5 94.51	94.51xd	100.6	0.98	40075
Japan	5 144.2	144.2	153.5	0.01	40076
Pacific	5 230.7	230.7xd	245.6	0.19	40077
Secs of America	5 185.1	185.1	197.1	1.02	40078
W'wide Asset Val	5 27.79	27.79	29.59	1.01	40079
Specialist Trusts					
Asset Value	5 326.1	328.7	350.0	2.85	40080
Conv & Gilt	5 38.82	39.37xd	41.92	5.13	40081
Smaller Co's	5 172.8	172.8xd	184.0	2.19	40082
2nd Smaller Co's	5 197.4	197.4	210.2	1.87	40083
Recovery	5 102.8	102.8	109.4	2.85	40084
Met Min & C'dty	5 110.1	110.1	117.2	1.42	40085
O'seas Earnings	5 212.7	212.7xd	226.5	3.09	40086
Technology	5 89.18	89.18	94.97	1.36	40087
UK Special Sits	5 269.9	269.9	287.4	2.51	40088

Bishopsgate Progressive Mgmt Co (1200)F
15 St James' Place, London SW1A 1NW 01-493 8111

Progressive Inc	5 £15.67	£15.97	16.86	2.68	40168
Progressive Acc	5 £21.99	£22.42	23.66	2.68	40169
International Inc	5 £16.18	£16.18	17.08	1.69	40170
International Acc	5 £20.38	£20.38	21.51	1.52	40171
Cap & Foreign Inc	5 192.8	192.8	203.5	2.34	40173
Cap & Foreign Acc	5 214.9	214.9	226.8	2.34	40174
Special Sits Inc	5 164.9	164.9	174.0	1.96	40175
Special Sits Acc	5 161.5	164.9	174.0	1.96	40176

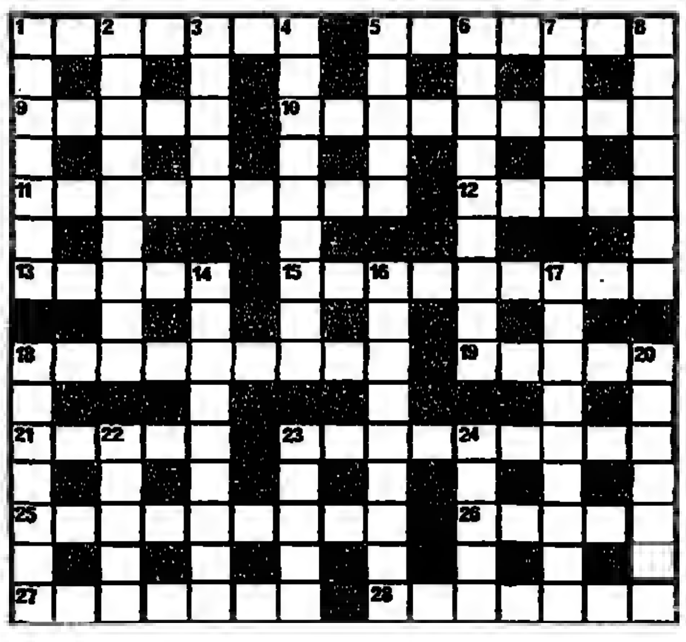
Brewin Dolphin Unit Tst Mgrs Ltd (0905)F
5 Giltspur St, London EC1A 9DE 01-248 4400

Brewin Capital	5½ 184.5	193.4xd	205.7	1.52	40177
Brewin Dividend	5½ 96.60	101.1xd	107.5	5.81	40178
Brewin Int Gth Inc	5½ 210.6	220.6xd	234.6	3.49	40179

JOTTER PAD

CROSSWORD

No. 6,702 Set by QUARK



ACROSS

1 Successful action includes vicar returning in camouflage! (5-2)
5 First sign of arthritis the doc treated; there'll be a charge (7)
9 Lubricated and worked the top off (5)
10 For delivering the message "Show the flag"? (9)
11 This theatrical notice could be a disappointment (5,4)
12 Ruptured a vein producing spots on the skin (5)
13 Flower opening after a short time (5)
15 Policy that provides confidence (9)
18 Cleaning agent put off cultured man (9)
19 The province of birth (5)
21 A letter to the doctor takes a certain shape (5)
23 Ten tens one thousand? Wrong! It's just a thought (9)
25 The voice arguing against the officer's nothing (9)
26 Some immediately ruin a new item; that's senseless (5)
27 Crops can be begged for by society (7)
28 It's strange the English in the dry can be so unsteady (7)

DOWN

1 One can get hooked on this work (7)
2 A case that's all about food (3-2-4)
3 Intricate grid the east raised on a fabric? (5)
4 Take for granted mail's usually initially delayed (9)
5 Animal taking more than half a shrub (5)
6 Rudimentary cricket providing much movement in field? (3,3,3)
7 Gas from the oxygen group (5)
8 Before "Time!" is hailed he goes into hiding (7)
14 Course? Change course to fruit (9)
16 A useful tree rested in the forest (9)
17 Excited "doer" meant to see this well-known sight (5,4)
18 Orders runs (7)
20 Many a man surrenders right to get a draw (7)
22 One who has partly to show nerves (5)
23 How to describe fuel? That's hard (5)
24 Epic in Virgil I admire (5)

The solution to last Saturday's prize puzzle will be published with names of winners on Saturday August 20.

GUIDE TO UNIT TRUST PRICING

The data included under the Authorised section of the FT Unit Trust information pages is being expanded to improve the service to readers and to conform with new legislation.

INITIAL CHARGES
These represent the marketing, administrative and other costs which have to be paid by new purchasers. These charges are included in the price when the customer buys units.

OFFER PRICE
The price at which units may be bought.

BID PRICE
The price at which units may be sold.

CANCELLATION PRICE
The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, unit trust managers quote a much narrower spread. As a result, the bid price is often set well above the minimum permissible price which is called the cancellation price in the table. However the bid price might be moved to the cancellation price in circumstances in which there is a large excess of sellers of units over buyers.

TIME
The time shown alongside the fund manager's name is the time at which the unit trusts' daily dealing prices are normally set unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: ♥ - 0001 to 1100 hours; ♦ - 1101 to 1400 hours; ♣ - 1401 to 1700 hours; ♠ - 1701 to midnight.

HISTORIC PRICING
The letter H denotes that prices are set on a historic basis. This means that, unless there has been an intervening portfolio revaluation, investors can normally buy and sell units today at the prices appearing in the newspaper which have been set on the basis of yesterday's asset value.

FORWARD PRICING
The letter F denotes that prices are set on a forward basis so that investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper show the prices at which deals were carried out last Friday.
Other explanatory notes are contained in the last column of the FT Unit Trust information pages.

هكذا من الأصل

FT UNIT TRUST INFORMATION SERVICE

TSB Unit Trusts (y)

3i Unit Trust Managers Ltd

Target Trust Mngrs Ltd

Templeton Investment Mngmt

Thornton Unit Managers Ltd

Touche, Remnant Unit Tst Mngt Ltd

Trades Union Unit Tst Mngrs

Tyndall Unit Tst Mngrs Ltd

UK Unit Trust Managers Ltd

Unit Trust Account & Mgmt Ltd

United Charities Unit Trusts

Vanguard Trust Mngrs Ltd

Wardley Unit Tst Mngrs Ltd

Waverley Unit Tst Mngmt Ltd

Wellington Fund Mngrs Ltd

Wessex Asset Management

Whittingdale Unit Tst Mgmt Ltd

Willis Financial Services Ltd

Windsor Trust Mngrs Ltd

Wright Seligman Fund Mngrs Ltd

The Yorkshire Unit Tst Mngrs Ltd

OTHER UK UNIT TRUSTS

Baillie Gifford & Co Ltd

Cent. Bd. of Fin. of Church of England

Charities Official Invest. Fund

Edinburgh Fund Mngrs PLC

Robert Fleming & Co Ltd

Foreign & Colonial Pens Mngt Ltd

Funds in Court

Henderson Unit Trust Management Ltd

Lazard Investors Ltd

Local Authorities Mutual Invest. Tst.

MIM Ltd

Murray Johnstone UT Mngmt

New Court Property Fund Managers

Phillips & Drew Fnd Management Ltd

N. Rothschild Fund Management

INSURANCES

AA Friendly Society

Abbey Life Assurance Co Ltd

Albany Life Assurance Co Ltd

AEtna Life Insurance Co Ltd

Allied Dunbar Assurance Plc

Amersham Life Assurance Co Ltd

Barclays Life Assur. Co Ltd

Black Horse Life Ass. Co Ltd

British National Financial Services

Canada Life Group

Cannon Assurance Ltd

City of Westminster Assurance

City of Edinburgh Life Assurance

Clerical Medical Investments Group

Clerical Medical Managed Funds Ltd

Colonial Mutual Group

Combined Insurance Co of America

Commercial Union Group

Continental Life Insurance PLC

Cornhill Insurance PLC

Criterion Assurance Group

Crown Financial Management Ltd

Crusader Insurance Plc

Devonshire Life

Eagle Star Insurance/Midland Assur.

Economic Insurance Company Ltd

Equity & Law

Equitable Life Assurance Society

FS Assurance Limited

Family Assurance Society

Federation Mutual Insurance Ltd

Framlington Life Insurance Ltd

Friends' Provident

GT Management Ltd

General Accident Linked Life Assurance

General Portfolio Life Ins. Plc

Assicurazioni GENERALI SpA

Gresham Unit Assurance Ltd

Growth & Sec. Life Assce. Soc. Ltd

Guardian Royal Exchange

Hearts of Oak Insurance Group

Henderson Administration

Hill Samuel Life Assur. Ltd

Homeowners Friendly Society

Imperial Trident Life Ltd

Interlife Assurance Co. Ltd.

Irish Life Assurance Co Plc

The LAS Group

Lancashire & Yorkshire Assce. Society

Legal & General (Unit Assur) Ltd

Legal & General (Unit Pensions) Ltd

Liberty Life Assurance Co Ltd

London A'dea & Ntfn. Mtl. Assur. Ltd

London Indemnity & Gnl. Ins. Co Ltd

London Life

London & Manchester Group

M & G Life and M & G Pensions

MGM Assurance

Manufacturers Life Insurance Co (UK)

Merchant Investors Assurance Co Ltd

Midland Life Limited

Municipal Life Assurance Ltd

NEL Britannia Assce Co Ltd

NEL Pensions Ltd

NM Schroder Life Assurance Ltd

National Mutual Life

National Provident Institution

Norwich Union Asset Management Ltd

Norwich Union Life Insurance Soc.

Pearl Assurance (Unit Funds) Ltd

Continued on next page

FT UNIT TRUST INFORMATION SERVICE

Phoenix Assurance Co Ltd
Phoenix House, Redcliff Hill, Bristol 0272 294941

	Bid Price	Offer Price	Yield Gross	City-line
Life Assurance Funds				
Wealth Assd.	394.1	415.0	–	43248
Eb'r Ph. Eq.	347.8	369.3	–	43249
Pension Plan Funds				
Phoenix				
UK Equity Acc.	175.3	184.7	–	43250
International Acc.	143.0	150.5	–	43251
Property Acc.	142.1	149.5	–	43252
Fixed Interest Acc.	155.1	164.1	–	43253
Money Acc.	142.2	149.6	–	43254
Bldg. Soc. Link Acc.	139.2	146.5	–	43255
Special Mngd. Acc.0	155.9	164.1	–	43256
Phoenix/Framlington				
Intl. Growth Acc	91.78	96.50	–	43257
Am. Smllr. Cos. Acc.	89.20	93.80	–	43258
Capital Tst. Acc.	181.2	190.7	–	43259
Japan & Gen Acc.	199.1	209.5	–	43260
American Turn. Acc.	96.90	102.0	–	43261
Recovery Tst. Acc.	187.4	197.2	–	43262
Special Mngd Acc.	153.7	161.7	–	43263
Phoenix/GT				
International Acc.	136.4	143.5	–	43264
US & General Acc.	90.50	95.20	–	43265
Amer Spec Sits Acc.	68.40	72.00	–	43266
Japan & General Acc.	194.0	204.2	–	43267
Far East & Gen. Acc.	145.2	152.8	–	43268
UK Capital Acc.	186.4	196.2	–	43269
European Acc.	144.2	151.7	–	43270
Special Mngd. Acc.	132.7	139.6	–	43271

Pioneer Mutual Insurance Co Ltd
16 Crosby Rd, N. Waterloo, Liverpool 051-928 6655

	Bid Price	Offer Price	Yield Gross	City-line
Managed Fund	269.7	283.9	–	43272
Man Pens Inc & Cap Fds	345.7	363.9	–	43273
Money Fund	113.4	119.4	–	43274
Pens. Mngd Fd (Init).	92.3	97.3	–	43275
Pens Mngd Fd (Acc)	105.4	112.0	–	43276
Pens FT30 Fd (Init)	129.5	136.4	–	43277
Pens FT30 Fd (Acc)	149.2	157.1	–	43278
Pens O'seas MgFd(Init)	61.4	64.7	–	43279
Pens O'seas MgFd(Acc)	70.7	74.5	–	43280
Pens Fxd Int Fd (Init)	107.5	113.2	–	43281
Pens Fxd Int Fd (Acc)	123.8	130.4	–	43282
Pens Deposit Fd (Init)	101.6	107.0	–	43283
Pens Deposit Fd (Acc)	117.1	123.3	–	43284

Premium Life Assurance Co Ltd

Provident Mutual Life Assc. Assn.
William Rd, Hitchin, Herts SG4 0LP 0438 739000

	Bid Price	Offer Price	Yield Gross	City-line
Managed Ord	295.6	309.1	–	43404
Managed Init	242.8	255.6	–	43485
Equity Ord	423.1	445.4	–	43486
Equity Init	349.9	368.3	–	43487
Index Linked Gilt Ord	123.1	129.6	–	43488
Index Linked Gilt Init	106.5	111.9	–	43489
Overseas Equity Ord	259.8	273.5	–	43490
Overseas Equity Init	214.8	226.1	–	43491
Property Ord	160.3	177.2	–	43492
Property Init	139.2	146.5	–	43493
Fixed Interest Ord	170.6	179.6	–	43494
Fixed Interest Init	141.1	148.5	–	43495
Deposit Ord	134.9	142.0	–	43496
Deposit Init	111.5	117.4	–	43497
Pension Funds				
Managed Ord	356.4	375.2	–	43498
Managed Init	294.7	310.2	–	43499
Equity Ord	535.4	563.6	–	43500
Equity Init	442.7	466.0	–	43501
Pen Ind Lkd Gilt Ord	132.6	139.6	–	43502
Pen Ind Lkd Gilt Init	114.5	120.5	–	43503
Overseas Equity Ord	295.1	310.6	–	43504
Overseas Equity Init	244.0	256.6	–	43505
Property Ord	196.1	206.4	–	43506
Property Init	162.2	170.7	–	43507
Fixed Interest Ord	193.0	203.2	–	43508
Fixed Interest Init	159.5	167.9	–	43509
Deposit Ord	167.9	176.7	–	43510
Deposit Init	138.8	146.1	–	43511

For Provincial Life Ass Co Ltd see Prolific Life & Pensions Ltd

Prudential Assurance Co
Holborn Bars, London EC1N 2NH 01-405 9222

	Bid Price	Offer Price	Yield Gross	City-line
Prufund				
Managed Aug 3	209.0	217.8	–	43512

Prudential Holborn Life Ltd
30 Old Burlington St, London W1X 1LB 01-439 3134

	Bid Price	Offer Price	Yield Gross	City-line
Managed	446.6	470.2	–	43513
Equity	905.3	953.0	–	43514
International	308.6	324.9	–	43515
Fixed Intl.	364.4	383.6	–	43516
Property	340.0	357.9	–	43517
Cash	238.7	251.3	–	43518

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

UK LISTED

OFFSHORE INSURANCES

FT UNIT TRUST INFORMATION SERVICE

[illegible]

OTHER OFFSHORE FUNDS

[illegible]

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

[illegible]

Five to Fifteen Years

[illegible]

Over Fifteen Years

[illegible]

BRITISH FUNDS—Contd

Undated

Amount £m	Stock	Price £	Red. Yld.	Last xd	Interest Due	City-line
359	Consols 4pc	43⅝	–	27.6	1Feb 1Aug	1239
1,909	War Loan 3½pc‡	38[illegible]	–	25.4	1Jun 1Dec	1352
154	Conv. 3½pc '61 Aft.	52¼	–	24.2	1Apr 1Oct	1243
56	Treas. 3pc '66 Aft.	32½	–	1.3	5Apr 5Oct	1324
276	Consols 2½pc	27½	–	1.6	5Ja Ap Jul O	1238
475	Treas. 2½pc	27½	–	24.2	1Apr 1Oct	1315

Index-Linked

Amount £m	Stock	Price £	Red. Yld.	Last xd	Interest Due	City-line
500	Treas 2pc IL '90(84.6)	121¼	[illegible]	20.6	25Jul 25Jan	1311
650	Do. 2pc '92‡‡(97.8)	102[illegible]	[illegible]	15.2	23Mar 23Sep	1312
400	Do. 2 '94 (102.9)	94½	[illegible]	–	16Nov 16May	–
1,000	Do. 2pc '96(67.9)	138⅞	[illegible]	8.2	16Mar 16Sep	1313
900	Do 2½pc '01(78.3)	114¼	[illegible]	16.2	24Mar 24Sep	1316
800	Do. 2½pc '03(78.8)	111¼	[illegible]	13.4	20Nov 20May	1317
1,200	Do. 2pc '06(69.5)	113¼	[illegible]	13.6	19Jan 19Jul	1314
950	Do. 2½pc '09(78.8)	105¼	[illegible]	13.4	20Nov 20May	1318
1,350	Do. 2½pc '11(74.6)	109¾xd	[illegible]	18.7	23Feb 23Aug	1319
1,100	Do. 2½pc '13(89.2)	91[illegible]xd	[illegible]	11.7	16Feb 16Aug	1320
1,700	Do. 2½pc '16(81.6)	96¼	[illegible]	20.6	26Jan 26Jul	1321
1,400	Do. 2½pc '20(83.0)	96[illegible]	3.7[illegible]	10.3	16Oct 16Apr	1322
800	Do. 2½pc '24‡‡(97.7)	81[illegible]	[illegible]	10.6	17Jan 17Jul	1323

**Prospective real redemption rate on projected inflation of 5%. (b) Figures in parentheses show RPI base month for indexing, (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in January 1987. Conversion factor 3.945. RPI for November 1987:103.4 and for June 1988:106.6

INT. BANK AND O'SEAS GOVT STERLING ISSUES

[illegible]

CORPORATION LOANS

[illegible]

COMMONWEALTH & AFRICAN LOANS

[illegible]

LOANS

Building Societies

[illegible]

Public Board and Ind.

[illegible]

Financial

[illegible]

FOREIGN BONDS & RAILS

Amount £m	Stock	Price £	Div % Gross	Yld	Last xd	Interest Paid	City-line
7	Greek 7pc Ass.	45	3.50	7.78	3.5	1May 1Nov	2763
4	Do. 6pc 28 Stb. Ass.	45xd	3	6.67	1.8	1Feb 1Aug	2762
–	Do 4pc Mixed Ass.	45xd	2	4.44	5.4	1Apr 1Oct	2761
1	Hung. '24 Ass.	75	2.75	3.67	3.5	1May	2935
40	Hydro Quebec 15pc 2011	135[illegible]	15.00	10.74	28.4	31May 30Nov	–
30	Iceland 14½pc Ln 2016	128[illegible]	14.50	11.18	4.1	31Jan 31Jul	–
30	Ireland 9¾pc '91-96	99½xd	9.75	9.85	1.8	1Mar 15Sep	3002

AMERICANS

Market Cap. £m	Stock	Price £	Div Gross	Y'ld Gr's	Last xd	Dividends Paid	City-line
6,208.8	Abbott Laboratories‡	27¼xd	$1.20	2.6	12.7	Fb My Ag Nv	1503
238.6	♦Allegheny & W 1c.	462p	30c	3.8	–	–	–
1,349.3	Amax $1	13[illegible]xd	020c	0.8	5.8	Mr Ju Se De	1581
1,456.8	Amdahl 5c	27¼	20c	0.4	5.11	Mr My Jn Ag	–
2,713.6	Amer. Cyanamid $5	29½	$1.20	2.4	22.2	Mr Je Se De	–
8,581.7	Amer. Express 60c	17¼xd	76c	2.6	4.7	Fb My Ag Nv	1594
841.4	Amer. Medical Int. $1	10½	47½c	4.1	11.1	Fb My Ag Nv	–
14,575.0	American T. & T. $1	15¼	$1.20	4.6	27.5	Fb My Ag Nv	1597
7,558.2	Ameritech $1	54	$5.40	5.9	27.6	Fb My Ag Nv	–
457.0	Amfac‡	27½	–	–	11.84	Mr Jn Se De	–
5,304.6	Anheuser-Busch $1	17[illegible]xd	60c	2.0	4.8	Mr Jn Se Dc	1620
1,336.1	BankAmerica $1⅝	825p	–	–	11.85	Fe My Au No	1744
1,764.5	Bankers N.Y. $1	22½	$1.86	4.9	26.3	Ja Jn Se Ja	1745

[illegible]

Continued on next page

Money Market Trust Funds

[illegible]

Money Market Bank Accounts

[illegible]

UNIT TRUST NOTES

[illegible]

LONDON SHARE SERVICE

AMERICANS—Contd

Market Cap. £m	Stock	Price £	Div Gross	Y'ld Gr's	Last xd	Dividends Paid	City-line
6,769.5	Texaco $6.25	27¾xd	‡$3.00	6.3	4.8	Mr Je Se De	4200
5,657.0	Time Inc. $1	59½xd	$1.00	1.0	24.01	Mr Jn Se Dc	4234
1,523.0	Transamerica $1	20xd	$1.84	5.4	29.5	Ja Ap Ju Oc	4289
	For Transworld see TW Services						
534.0	TRINOVA Corp	13⅝xd	64c	2.4	9.11	Mc JeSe Dc	4309
5,509.2	USX $1	14¼xd	$1.20	3.9	2.8	Mr JeSe De	4380
2,905.0	Utd. Technologies	22⅛xd	$1.60	4.2	19.5	Mr Jn Sp Dc	4381
6,562.3	US West‖	32¼	$3.52	6.3	13.4	Fb My Ag No	–
4,849.3	Waste Management $1	23⅝xd	48c	1.3	17.5	Ap Jlv Oc Jan	4439
1,064.4	Whirlpool $1	15⅜	$1.10	4.2	25.01	Mr Jn Se Dc	–
1,916.9	♦Woolworth $3½	29¼	$1.64	3.3	19.11	Mr Je Se De	4540

CANADIANS

Market Cap. £m	Stock	Price £	Div Gross	Y'ld Gr's	Last xd	Dividends Paid	City-line
–	ABM Gold Corp ‖	237p	–	–	–	–	–
–	♦Abbot Energy Corp	25¼p	–	–	–	–	–
640.8	♦Amer. Barrick Res.	11¼	–	–	–	–	–
–	American Lightwave	6⅛p	–	–	–	–	–
–	♦Armeno	16½p	–	–	–	–	–
–	Augmitto Explo	56p	–	–	–	–	–
1,416.5	Bk. Montreal ‖	13⅛	$2.00	7.1	9.5	Fb My Ag Nv	–
1,149.4	Bk. Nova Scot.‖	693p	76c	5.3	28.6	Jn Ap Jn Oc	–
4,795.8	BCE ‖	17⅛xd	$2.44	6.7	6.6	Ap Jy Dc Ja	–
277.1	♦Bow Valley‖	669p	‡40c	2.9	15.12	May Nov.	–
891.1	♦Brascan‖	13¼	88c	3.3	28.10	Je Ap Jy Oc	–
52.9	♦Breakwater Res.	236p	10c	2.1	–	–	–
1,838.9	Can.Imp Bank‖	11¼	$1.16	4.8	29.6	Fe My Au No	–

BANKS, HP & LEASING

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS—Contd

CHEMICALS, PLASTICS

DRAPERY AND STORES

ELECTRICALS

ENGINEERING

ENGINEERING—Contd

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS (Miscel.)—Contd

INDUSTRIALS (Miscel.)—Contd.

INSURANCES

LEISURE

LONDON SHARE SERVICE

LEISURE—Contd

[illegible]

MOTORS, AIRCRAFT TRADES

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PAPER, PRINTING, ADVERTISING — Contd

[illegible]

PROPERTY

[illegible]

SHIPPING

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TEXTILES—Contd

[illegible]

TOBACCOS

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

TRUSTS, FINANCE, LAND—Contd

[illegible]

Finance, Land, etc

[illegible]

OIL AND GAS

[illegible]

OIL AND GAS—Contd

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

MINES—Contd

[illegible]

Tins

[illegible]

Miscellaneous

[illegible]

THIRD MARKET

[illegible]							
6.88	Propeller 1p ... y	55	–	–	–	–	3729
3.57	Publishing Hldgs 5p. y	22	–	–	–	–	3735
10.5	Royal Sovereign 10p. y	237	4.6	2.6	11.4	May Nov	1505
1.72	Scott Pickford 10p ... y	24½	3.1	16.9	–	–	5062
7.50	Seacon Hldgs ... y	108	–	–	–	–	3968
1.74	Sonic Tape 2½p ... y	14	–	–	–	–	–
6.08	Staks Hldgs. 5p ... y	22	–	–	–	–	4625
4.63	Swanyard Studios 1p y	3¼	–	–	–	–	[illegible]
25.6	Takare ... y	293	b1.0	0.5	–	–	[illegible]
12.9	Theme Holdings ... y	67	♦1.1	2.2	25.4	June Dec	[illegible]
3.36	Tomorrows Leisure 20p y	30	–	–	–	–	[illegible]
11.9	Tullow Oil 10p ... y	19	–	–	–	–	[illegible]
4.72	UPL Group 10p ... y	117	L2.41	2.7	23.5	–	[illegible]
7.22	Unil Group ... y	178	5.0	3.7	4.7	Jan July	[illegible]
8.64	Video Tape Rec 5p. y	125	L2.3	2.5	9.5	–	[illegible]

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha, β Beta, γ Gamma.
Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock"
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♦ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Dealt in under Rule 535(3).
- # Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue.
- ♠ Merger bid or reorganisation in progress
- ♣ Not comparable
- ♦ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ★ Cover does not allow for shares which may also rank for dividend at a future date.
- ‖ No par value

B.Fr. Belgian Francs. Fr. French Francs ## Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending q Dividend and yield exclude a special payment. t Indicated dividend. u Forecast, or estimated annualised dividend rate. v Subject to local tax. y Dividend and yield based on merger terms. z Dividend and yield include a special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1988-89. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1987-88. L Estimated annualised dividend. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1987. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend. T Figures assumed. W Pro forma figures. Z Dividend total to date.
Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p ... y	71	......	Arnotts ... y	365	......
Craig & Rose £1 ... y	700	......	CPI Hldgs ... y	120	+1
Finlay Pkg. 5p ... y	98	+1	Carrol Inds ... y	158	+2
Holt (Jos) 25p ... y	£11⅛	–⅛	Hall (R. & H.) ...	150	......

IRISH

Nat. 9¾% 84/89 ...	£100¼	......	Heiton Hldgs ... y	56	......
9pc Cap Ln. 1996 ...	£99½	+½	Irish Ropes ... y	160	......
Fin. 13% 97/02 ...	£115	......	Unidare ... y	490	......

TRADITIONAL OPTIONS

3-month call rates

Industrials

	p
Allied-Lyons	35
Amstrad	16
BAT	36
BOC Grp.	36
BSR	8
BTR	22
Barclays	35
Beecham	42
Blue Circle	38
Boots	19
Bowaters	35
Brit Aerospace	35
Brit. Telecom	22
Burton Ord	21
Cadburys	32
Charter Cons	30
Comm Union	34
Courtaulds	34
FKI Babcock	12
FNFC	23
Gen Accident	85
GEC	13
Glaxo	85
Grand Met	45
GUS 'A'	95
Guardian	85
GKN	28
Hanson	12
Hawker Sidd	48
ICI	72
Jaguar	26
Ladbroke	38
Legal & Gen	25
Lex Service	53
Lloyds Bank	26
Lucas Inds	58
Marks & Spencer	17
Midland Bk	37
Morgan Grenfell	30
NEI	10
Nat West Bk	52
P & O Dfd	52
Plessey	16
Polly Peck	38
Racal Elect	32
RHM	30
Rank Org Ord	64
Reed Intnl	36
STC	24
Sears	11
TI	28
TSB	9
Tesco	14
Thorn EMI	60
Trust Houses	21
T&N	17
Unilever	42
Vickers	14
Wellcome	45

Property

Brit Land	38
Land Securities	52
MEPC	52
Peachey	50

Oils

Brit. Gas	15
Brit Petroleum	24
Burmah Oil	50
Charterhall	3
LASMO	40
Premier	7½
Shell	95
Ultramar	26

Mines

Cons Gold	95
Lonrho	28
RTZ	35

A selection of Options traded is given on the London Stock Exchange Report Page

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar's fortunes look better in the short term

By Colin Millham

THE DOLLAR finished last week on a very firm note, and is likely to start in a similar vein today, as attention moves towards the US Treasury's auction of $11bn three-year notes tomorrow and the same amount of 10-year paper on Wednesday.

A similar, but smaller event takes place in the UK on Wednesday, with an auction of £750m of 8.5 p.c. Treasury 1994 stock.

The dollar, already underpinned by strong economic growth and expectations of higher US interest rates, may also benefit from foreign demand at the Treasury auctions.

Sterling, on the other hand, lost ground as the week closed, falling below $1.70 on Friday, and only just holding above DM3.20.

The pound looks particularly vulnerable to a turn round in the fortunes of the depressed D-Mark.

There are not many economic releases this week, but dealers are likely to take an interest in the Japanese trade figures on Wednesday, if only because they may provide some indication of whether the US trade balance will improve.

According to Nomura Research Institute there is unlikely to be much comfort in the Japanese figures. The non-seasonally adjusted trade surplus in July is likely to be $6.3bn, compared with $5.9bn in June. Morgan Grenfell forecasts a surplus of $6.5bn.

This will not have any direct bearing on next week's US trade figures for June, but may help show the general trend in the trade flow.

Economists still tend to believe the improvement in the US trade position will be short-lived.

In its monthly international financial outlook Lloyds Bank says that the US budget and trade deficits will fail to improve fast enough to sustain confidence in the dollar.

Lloyds Bank forecasts that the dollar will fall to Y113 and DM1.60 by June next year.

Guidance on the level of world inflation will be provided today by UK producer prices for July, and on Friday by US producer prices for the same month.

These will be watched for any implications of rising inflationary pressure, but in general the figures are expected to be encouraging.

According to a survey by MMS international output prices are expected to show an unchanged rise of 0.3 p.c., and seasonally adjusted input prices are likely to rise 0.6 p.c. in July, compared with 1.8 p.c. in June.

Price rises of raw materials are likely to have slowed, because of weaker oil and metal values.

Commodity prices in dollar terms fell 9 p.c. in July, but this was partly offset by a decline in the value of sterling against the dollar. In sterling terms the net fall in prices was around 5.5 p.c.

Warburg Securities suggests that in the current climate of fear about rising inflation a worse than forecast input figure is likely to cause disappointment on the financial markets.

Warburg also warns that forecasts are liable to greater error than in previous months, because of a change in the method of estimation of fuel costs.

US producer prices are expected to show a rise by 0.5 p.c. in July, compared with 0.4 p.c. in June, to give a year on year increase of a fairly modest 2.5 p.c.

Stockbroker Phillips and Drew believes that price inflation is being held down artificially in the US because of the the drought affecting the food producing area of the Mid-West.

This seems somewhat perverse, but is caused by the forced slaughter of many animals, putting downward pressure on meat prices.

£ IN NEW YORK

Aug.5	Close	Previous Close
£ Spot	1.6890-1.6900	1.7065-1.7070
1 month	0.34-0.31pm	0.34-0.33pm
3 months	1.04-1.01pm	1.04-1.01pm
12 months	3.32-3.22pm	3.32-3.22pm

Forward premiums and discounts apply to the US dollar

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu Aug.5	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	43.6462	+2.80	+1.09	±1.5344
Danish Krone	7.85212	7.92047	+0.87	-0.84	±1.5404
German D-Mark	2.05853	2.08531	+1.30	-0.41	±1.0981
French Franc	6.90403	7.03192	+1.85	+0.14	±1.3674
Dutch Guilder	2.31943	2.35509	+1.54	-0.17	±1.5012

PHILADELPHIA SE £/$ OPTIONS
£12,500 (cents per £1)

Strike Price	Calls Aug	Calls Sep	Calls Oct	Calls Dec	Puts Aug	Puts Sep	Puts Oct	Puts Dec
1.650	5.96	6.45	6.79	7.57	0.05	0.88	1.40	2.82
1.675	3.63	4.58	5.07	6.02	0.16	1.50	2.22	3.74
1.700	1.75	3.04	3.62	4.70	0.74	2.42	3.22	4.91
1.725	0.59	1.95	2.50	3.58	2.03	3.79	4.60	6.25
1.750	0.11	1.10	1.75	2.69	4.16	5.48	6.22	7.82
1.775	0.01	0.62	1.12	2.02	6.50	7.43	8.07	9.54
1.800	-	0.20	0.68	1.45	0.95	9.58	9.99	11.42

Previous day's open int: Calls 571,300 Puts 513,676

LONDON SE £/$ OPTIONS
£12,500 (cents per £1)

Strike Price	Calls Aug	Calls Sep	Calls Oct	Calls Dec	Puts Aug	Puts Sep	Puts Oct	Puts Dec
1.650	3.94	4.76	5.25	6.20	0.08	1.29	2.00	3.54
1.700	0.60	2.10	2.57	3.69	1.68	3.40	4.25	5.97
1.750	-	0.75	1.13	2.02	6.08	6.99	7.67	9.16
1.800	-	0.09	0.37	1.03	11.02	11.43	11.74	13.81
1.850	-	-	-	0.44	15.97	16.19	14.90	17.24
1.900	-	0.01	-	0.20	20.93	21.10	-	21.79
1.950	0.02	0.05	-	0.11	25.92	26.05	-	26.50

Estimated volume total, Calls N/A Puts N/A

FORWARD RATES AGAINST STERLING

	Spot	1 mth	3 mths	6 mths	12 mths
US Dollar	1.6930	1.6898	1.6828	1.6746	1.6603
D-mark	3.2050	3.1905	3.1609	3.1211	3.0473
French Fr.	10.805	10.802	10.796	10.789	10.777
Swiss Fr.	2.6750	2.6597	2.6290	2.5880	2.5302
Yen	226.25	225.11	222.84	219.61	213.69

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

CURRENCY FUTURES

LIFFE-STERLING £25,000 $ per £

	Close	High	Low	Prev.
Sep	1.6908	1.6925	1.6925	1.7058
Dec	1.6812			1.6960
Mar	1.6740			1.6887

Estimated Volume 6 (36)
Previous day's open int. 178 (174)

MONEY MARKETS

A tale of two cities

LONDON INTEREST rates were little changed last week, but edged up nervously on Friday as sterling weakened.

This encouraged speculation that the Bank of England will move quickly to lift base rates if a weakening of the pound against the D-Mark provides an opportunity.

Mr Nigel Richardson, at Warburg Securities, said he believes the July money supply and bank lending figures could start to influence the financial markets this week, even though the figures will not be published until the Thursday of next week.

He added that rumours are already beginning to circulate in the City of some fairly alarming figures, with M0 remaining above its target range, and M4 lending hitting a record level. Warburg is expecting a M4 lending figure of around £9.5bn.

If London rates are set to move higher, it at least appears that the rise in Frankfurt rates may have run its course.

The West German Bundesbank increased its securities repurchase agreement rate by another 0.25 p.c. to 4.25 p.c. at last week's tender, but calmed market nerves about a further tightening of credit policy, with an adequate allocation of funds.

The central bank also provided money for the banking system through currency swaps on Friday, in an apparent move to prevent call money rising to the Lombard emergency financing rate of 5 p.c.

Dealers regarded this as a sign that the Bundesbank is content with the present level of interest rates, although another bout of D-Mark weakness may lead to a change of heart.

UK clearing bank base lending rate
10½ per cent
from July 18

FT LONDON INTERBANK FIXING

(11.00 a.m. Aug.5) 3 months US dollars		6 months US Dollars	
bid 8⅝	offer 8¾	bid 8¾	offer 8⅞

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK (4pm)

		Treasury Bills and Bonds			
Prime rate	9½	One month	5.96	Three year	8.59
Broker loan rate	8¾	Two month	6.59	Four year	8.70
Fed.funds	7¾-⅞	Three month	7.15	Five year	8.79
Fed.funds at intervention	-	Six month	7.60	Seven year	8.97
		One year	8.00	10-year	9.12
		Two year	8.48	30-year	9.13

Aug.5	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	4.90-5.00	5.00-5.13	5.05-5.20	5.10-5.25	5.30-5.50	5.00
Paris	6⅞-7⅛	7⅛-7¼	7⅛-7⅜	7¼-7⅜	7⅝-7¾	6.75
Zurich	1⅝-1⅞	3-3¼	-	3⅝-3⅞	-	-
Amsterdam	5-5¼	5⅛-5⅜	-	5⅛-5⅜	-	-
Tokyo	3.84375	4.03125	-	4.09375	-	-

STERLING INDEX

CURRENCY RATES

CURRENCY MOVEMENTS

OTHER CURRENCIES

POUND SPOT- FORWARD AGAINST THE POUND

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

EURO-CURRENCY INTEREST RATES

EXCHANGE CROSS RATES

LONDON (LIFFE)

CHICAGO

BASE LENDING RATES

LONDON RECENT ISSUES

EQUITIES

FIXED INTEREST STOCKS

RIGHTS OFFERS

EUROPEAN OPTIONS EXCHANGE

BANK OF ENGLAND TREASURY BILL TENDER

WEEKLY CHANGE IN WORLD INTEREST RATES

LONDON MONEY RATES

FT-ACTUARIES WORLD INDICES

Jointly compiled by the Financial Times, Goldman, Sachs & Co., and Wood Mackenzie & Co. Ltd., in conjunction with the Institute of Actuaries and the Faculty of Actuaries

WORLD STOCK MARKETS

AUSTRIA

[illegible]

BELGIUM/LUXEMBOURG

[illegible]

DENMARK

[illegible]

FINLAND

[illegible]

FRANCE

[illegible]

FRANCE (continued)

[illegible]

GERMANY

[illegible]

ITALY

[illegible]

NETHERLANDS

[illegible]

NORWAY

[illegible]

SPAIN

[illegible]

SWEDEN

[illegible]

SWITZERLAND

[illegible]

SOUTH AFRICA

[illegible]

JAPAN

[illegible]

AUSTRALIA

[illegible]

AUSTRALIA (continued)

[illegible]

HONG KONG

[illegible]

SINGAPORE

[illegible]

NOTES — Prices on this page are as quoted on the individual exchanges and are last traded prices. [illegible]

CANADA

TORONTO

Closing prices August 5

Quotations in cents unless marked $.

[illegible]

MONTREAL

Closing prices August 5

[illegible]

OVER-THE-COUNTER

Nasdaq national market, 2pm prices August 5

Continued from page 31

[illegible]

INDICES

NEW YORK — DOW JONES

[illegible]

STANDARD AND POOR'S

[illegible]

TRADING ACTIVITY

[illegible]

CANADA — TORONTO

[illegible]

NEW YORK ACTIVE STOCKS

[illegible]

	Aug. 5	Aug. 4	Aug. 3	Aug. 2	1988 High	1988 Low
AUSTRALIA						
All Ordinaries (1/1/80)	1641.4	1631.8	1622.7	1623.8	1642.5 (18/7)	1170.7 (10/2)
All Mining (1/1/80)	838.2	833.4	828.2	833.7	847.4 (22/7)	532.4 (10/2)
AUSTRIA						
Credit Aktien (30/12/84)	196.00	196.80	196.80	196.90	196.90 (2/8)	163.98 (11/2)
BELGIUM						
Brussels SE (1/1/80)	4969.40	4944.58	4950.69	4920.05	5043.1 (9/3)	3608.95 (4/1)
DENMARK						
Copenhagen SE (3/1/83)	226.11	227.04	227.86	227.32	227.86 (3/8)	180.68 (4/1)
FINLAND						
Unitas General (1975)	771.2	769.0	766.8	766.1	771.2 (5/8)	530.6 (15/1)
FRANCE						
CAC General (31/12/82)	359.0	358.5	358.7	359.0	368.5 (8/7)	251.3 (29/1)
Ind. Tendance (31/12/87)	134.3	134.5	134.6	134.4	137.6 (7/7)	89.7 (29/1)
GERMANY						
FAZ Aktien (31/12/58)	491.78	489.16	491.57	489.42	495.78 (8/7)	396.40 (29/1)
Commerzbank (1/12/53)	1499.3	1488.7	1497.5	1491.3	1507.3 (8/7)	1207.9 (29/1)
DAX (30/12/87)	1197.38	1183.72	1187.67	1184.21	1199.96 (5/7)	931.18 (28/1)
HONG KONG						
Hang Seng Bank (31/7/64)	2671.17	2677.37	2692.63	2701.09	2772.53 (12/7)	2223.56 (8/2)
ITALY						
Banca Comm. Ital. (1972)	532.01	533.97	538.49	539.29	545.07 (18/3)	423.91 (9/2)
JAPAN**						
Nikkei (16/5/49)	28423.38	28292.66	28348.45	28364.33	28423.38 (5/8)	21217.04 (4/1)
Tokyo SE New (4/1/68)	2229.06	2232.95	2245.47	2253.10	2253.10 (2/8)	1690.44 (4/1)
NETHERLANDS						
ANP-CBS General (1970)	283.8	282.1	281.5	280.2	283.8 (5/8)	205.7 (4/1)
ANP-CBS Industrial (1970)	239.1	238.4	237.2	235.4	239.1 (5/8)	157.9 (11/1)
NORWAY						
Oslo SE (4/1/83)	414.80	415.65	419.10	419.59	423.64 (21/7)	327.78 (28/1)
SINGAPORE						
Straits Times Ind. (30/12/66)	1172.05	1165.56	1170.20	1160.83	1172.05 (5/8)	833.60 (4/1)
SOUTH AFRICA						
JSE Gold (28/9/78)	1308.04	1328.0	1302.0	1335.0	1451.0 (7/7)	1154.0 (4/5)
JSE Industrial (28/9/78)	1664.04	1677.0	1674.0	1677.0	1758.0 (20/7)	1387.0 (12/2)
SPAIN						
Madrid SE (30/12/85)	299.83	298.24	297.27	296.42	301.63 (15/6)	225.50 (4/1)
SWEDEN						
Jacobson & P. (31/12/56)	3112.90	3101.50	3085.90	3079.93	3112.90 (5/8)	2148.5 (4/1)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	555.0	551.0	550.8	545.3	555.3 (11/7)	466.6 (13/1)
WORLD						
M.S. Capital Intl. (1/1/70)	(u)	454.5	456.3	457.2	465.2 (15/6)	401.0 (21/1)

**Saturday August 6: Japan Nikkei 28362.18 and TSE 2,230.79
§ Subject to official recalculation

Base values of all indices are 100 except Brussels SE and DAX – 1,000 JSE Gold – 255.7 JSE Industrials – 264.3 and Australia. All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

Closing prices August 5

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		– A – A – A –								
21⅞	14	AAR s	.36	1.4	12	332	25⅝	25⅜	25½	– ⅛
12⅛	8⅞	ACMIn n1.30e		11.		z275	11⅞	11⅞	11½	+ ⅛
12¼	10⅞	ACMSc n1.20		11.		412	11⅛	11⅛	11⅛	+ ⅛
12¼	2	ACMSp n.17e		1.8		21	9⅞	2⅞	9⅞	
32⅞	16½	AGS			20	526	27	29⅞	32	
7⅞	2⅞	AMCA				3	4	4	4	+ ⅛
3½	3⅛	AM Intl				770	6	5⅞	6	
26⅛	17	AM Intl pf 2		8.8		26	23	23⅛	22⅞	– ⅛
65½	25⅛	AMR			9	1341	45⅞	45⅞	45⅞	– ½
11⅞	6⅞	ARX			11	12	8⅞	8⅞	8⅞	+ ⅛
72⅞	33⅞	ASA	3	7.4		175	40½	40	40⅞	+ ⅛
22⅛	9½	AVX	.06e	.3	13	322	19⅛	18⅞	19⅛	+ ⅛
66⅞	40	AbtLab	1.20	2.8	15	2622	46⅝	45⅞	46⅞	– ⅛
16⅝	6½	AcmeC	.40	3.7		154	11⅛	10⅞	10⅞	– ⅛
20	14⅞	AdaEx	3.05e	19.		91	16⅞	16⅞	16	
16⅛	6⅞	AdamMl	.64	1.5	13	461	16⅝	16⅞	16⅛	
24⅞	7½	AMD				3271	13⅞	12⅞	16	– ⅛
56⅞	29⅛	AMD pf	3	7.9		123	35½	38	38	– 1
11⅞	4⅞	Adobe				44	7⅞	7⅞	7⅞	
20⅛	16⅛	Adob pf	1.84	10.		11	17⅞	17⅞	17⅞	
21⅞	17⅞	Adob pf	2.40	11.		34	21⅛	21	21⅛	+ ⅛
12⅞	5⅞	Advest	.12	1.5	17	450	2⅛	2⅛	8⅞	+ ⅛
54⅞	39½	AetnLf	2.76	5.8	7	3338	48⅞	47⅞	47⅞	– ⅞
41⅞	20½	AflPb s	.20	.7	47	278	28⅛	27½	27⅞	– ⅛
26⅞	13	Ahmans	.88	5.6	19	1885	16	15⅞	16	– ⅛
4	1⅞	Aileen				51	3⅞	6⅞	6⅞	
53⅞	29	AirPrd	1.20	2.7	12	1476	45⅞	45	45⅞	– ½
28½	11⅞	AirbFrt	.60	3.6	22	940	17½	16½	16⅞	– ⅞
16⅞	6⅞	Airgas			21	162	16⅛	16½	19½	
20	13⅞	Airlease	2.30	12.	16	24	12⅛	12	16⅞	+ ⅛

Continued on Page 31

NYSE COMPOSITE PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
[illegible]										

Continued from previous Page

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

Closing prices August 5

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
[illegible]							

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OVER-THE-COUNTER

Nasdaq national market, Closing prices August 4

Stock	Div.	Sales 100s	High	Low	Last	Chng
[illegible]						

Continued on Page 29

The Business Column

In search of the global consumer

FROM financial services to toothpaste, "globalisation" has become the business religion of the late 1980s. But when vastly different industries rush to embrace a one-word credo, some scepticism is in order.

The globalisation church has two main pillars. One is the belief that, as industrialised economies grow more interdependent, their markets are becoming more alike. The other is the quest for higher volumes, dictated by shorter product cycles and rising development and marketing costs, and for protection against currency instability. The logical way forward, it is argued, is to deploy products, services and skills widely across world markets.

A few companies, such as IBM, Coca Cola, Mars, Hertz, American Express and Sony have established uniform brands which command instant recognition worldwide and are among the leaders in every major market. But most did so decades ago. It is not obvious that things have got easier for newcomers.

Financial markets may be becoming global, but efforts to build global securities firms equally strong in New York, Tokyo and London have yet to pay off. Some newspapers, including the FT, are published internationally. But their editorial flavour is still too home-brewed and their foreign market share too modest to call them truly global.

Many companies find the closer they get to the "global" market, the more it divides into many different sub-markets. That can unhinge strategies which seek scale economies through standardisation. Ford's "world car" project in the 1970s ended up producing US and European versions with few shared components.

True believers argue that consumer tastes worldwide are converging due to improved communications and international mass-media marketing. They contend that global brands will gradually squeeze out marginal competitors. But because the investments and risks involved are huge, the approach may be open to relatively few, large companies and brands in each sector. Increased sameness looks like the outcome.

The importance of novelty and choice

The approach may work for staple products like soap powder. But for discretionary spending, novelty and choice may be more important to the consumer. International expansion by small Belgian chocolate makers and the rise in the US of "specialty retailers" suggest that the fastest growth may come from offering something different. Some US chains may owe their recent decline to loss of novelty value once they went nationwide.

Some globalisation apostles prefer to focus on selected market segments rather than products, arguing that the tastes and lifestyles of groups of prosperous professionals in the world's large cities are remarkably similar. But the "global yuppie" may prove a fickle customer.

As the late Fred Hirsch argued, the more affluent the consumer the greater his demand for "positional goods", distinguished by their rarity value. If the stock of such goods is finite – Van Gogh paintings, for instance – demand can never be fully met. But if they merely *seem* exclusive, they can often be vulgarised for a wider market. Will the Filofax enjoy quite as much cachet now it is standard issue for Arthur Scargill's miners?

Another version of that dilemma faces many Japanese companies, as they try to diversify into higher value-added products in response to the strong yen. Not only is there limited room at the top; but insofar as Japan's strength lies in turning what were once luxuries into commodity products, its successes are likely increasingly to invite competition from low-cost imitators.

The Japanese may find their own typically ingenious response to that challenge. Others should perhaps ask themselves whether "globalisation" is so alluring because it really meets the needs of consumers – or because it appears a ready-made solution to the problems of producers.

Guy de Jonquières

THE MONDAY INTERVIEW

Not toeing the party line

Stefan Wagstyl meets Akio Morita, the chairman of Sony

"JAPANESE are not fools. We have four years until 1992. Japanese managers know what they should do during those four years. Japanese industry will move technology into Europe."

So says Mr Akio Morita, chairman of Sony, the Japanese consumer electronics group. If any Japanese has reason to understand Europe, it is Mr Morita. He first visited it 35 years ago; he built his first European factory, in Wales, 15 years ago. He started thinking about pan-European markets well before the launch of the European campaign for market integration by 1992.

Mr Morita believes that Japanese companies will become good Europeans because they must. It is not a matter of charity but of self-interest. Companies without a strong local manufacturing base will be left in the cold. "Now Europe is becoming one big market, if we become European manufacturers that will be good for us," says Mr Morita.

As a result, Mr Morita gets angry at suggestions that Japanese factories are merely screwdriver assembly plants, designed to disguise increases in Japanese exports. He is particularly annoyed when such claims come from Philips, the Dutch group which is Sony's partner in some ventures but its rival in many others. He holds up a copy of letter to the FT from a Philips executive which accuses Mr Morita of encouraging the establishment of screwdriver plants in Europe.

"Why are they saying this? What do they mean?," he asks. Once something of a maverick among Japanese businessmen, time and success have turned the white-haired Mr Morita into a corporate statesman, a vice-chairman of the Keidanren, the Japan Federation of Economic Organisations. But at the age of 67, Mr Morita has lost none of the combative, pioneering, sometimes arrogant style which has made Sony the most famous Japanese consumer electronics company in the world – better-known even than its larger competitor Matsushita Electric.

Hitting back at Philips, Mr Morita says European companies have only harmed themselves by building barriers around the European market. Philips successfully urged the European Community to double tariffs on imported compact disk players, he says. And now, he adds, the Dutch group is refusing to cooperate on uniform standards on high-definition television.

Creating protected markets in Europe, European companies have become unable to compete elsewhere, says Mr Morita. They have to change their policies or they will be in trouble. "Companies which do not work hard disappear."

Sony itself is working hard at becoming European – following a policy called "global localisation". Mr Morita says he coined the phrase to describe the process of setting up operations around the world headed by local managers.

While US companies in Europe were localising 30 years ago, the idea is new to Japanese companies and, according to Mr Morita, Sony is ahead of the rest.

To prove his point, he pulls out photographs of a visit to Bridgend in Wales where Sony set up its first European plant in the early 1970s. The company invited 6,000 guests, including the staff and their families, to an anniversary party where Welshmen organised a yakitori bar – or Japanese barbecue.

Mr Morita is proud of the fact that engineers from Bridgend travelled to Tokyo recently for a company-wide technology exhibition. The British team demonstrated special software they had devised for controlling factory production. Mr Morita says this showed real engineering skill – teaching production technology to the Japanese, who regard themselves as world experts in the field.

However, even at Sony foreigners can only go so far. The company has three non-Japanese special directors – but they cannot join the board because, says Mr Morita, they have to be able to speak Japanese to answer questions at shareholders' meetings. "But we don't keep things secret from them," says Mr Morita. Maybe, but it sounds like an excuse.

The test of global localisation will be in Europe. It is not easy for foreign companies to operate even in the US, where there are no internal barriers. But in Europe, language and frontiers, not to mention regulations divide up the market. In television for example, Sony has to contend with two broadcasting standards, Pal and Secam.

The group employs 3,600 staff in eight European factories making televisions, video recorders, and audio equipment. Mr Morita says it is important to capitalise on the strengths of different European countries. So the Bridgend factory has developed skills in production engineering; but the company chose Stuttgart in West Germany for the headquarters of its European television operations, including a design centre.

It was easier to recruit design engineers in Germany than in South Wales. But Mr Morita says this is not a slight on Bridgend. Indeed, it would be harder to hire production workers in Stuttgart – Sony would have to take on foreign *Gastarbeiter*, not West Germans. "There would be social problems and quality problems," says Mr Morita, in a rare flash of prejudice.

Mr Morita bemoans what he sees as a loss of energy by Europeans. He has just visited an exhibition in Japan marking the visit of Philip Franz von Siebold, a Dutchman who came by ship in the early 1800s when Japan was a closed country to foreigners. Von Siebold stayed for several years to teach medicine.

"I admire the European pioneering spirit. Europeans used to come to the Far East in wooden ships around Cape Town. It took a long time. Now you can come by plane in 12 hours but they don't come."

Why do European manufacturers pay so little attention to South East Asia, he asks. "South East Asia is becoming a big market. If you look back to the old times, the British, the Dutch and the French were very strong in that area." Does Mr Morita worry that one day, Japan too might lose its competitiveness? "You mean if we become rich will we lose our hungriness? That is a relative problem. Now South Korea and Taiwan are more hungry than we are. They work very hard," says Mr Morita.

However, the Japanese have a strong incentive to keep working – an acute shortage of space. Mr Morita pulls out a piece of paper from his wallet and reads out some numbers – Japan has 2,542 people for every square mile of usable land; against 1,300 for the UK, and 148 for the US. Mr Morita carries this fact-sheet around with him because "People are always asking me how congested we are."

Mr Morita has no doubt about what will keep Japan ahead of other Asian countries – technology. It is a subject he likes to talk about, revealing that the zest for innovation on which the company was founded has not faded.

Having helped to develop transistor radios, colour televisions, home hi-fi equipment, video recorders and compact disks, Mr Morita now has high hopes for high-definition television, a computer-controlled television format which will probably be mass-marketed in the 1990s. "High-definition television. That will be the next stage," he says.

Mr Morita claims high-definition video cameras are about to take the film industry by storm, in the same way as regular video has already taken over film-making in television. Film production with high-definition video will be 20-30 per cent cheaper than with film and the result will be seven or eight times sharper.

Mr Morita, it turns out, is not an inventor but a salesman of technology. His dreams are about selling a million Walkman portable compact disk players, not about making them. His aim, he says, is to bring consumer products to people.

Often the hardest task is not developing an innovation but in demonstrating to people why they might want it. Last year, to convince Japanese film-makers of the merits of high-definition video, Mr Morita rented a Tokyo cinema and showed a film. Later he told the audience that the entire movie had been made by video techniques. They could hardly believe it, he says.

"It will take one independent director to make a film using high-definition television and then others will follow," says Mr Morita.

Mr Morita recalls that almost every consumer electronics innovation ran into objections from someone. Gramaphone record companies protested at the launch of radio; they complained again at the start of compact disks; now, having transformed themselves into makers of compact disks as well as records, some of them are blocking the introduction of digital audio tape, or DAT, high-fidelity audio tape.

Software and hardware companies do not understand each other, says Mr Morita. He says he repeatedly tried to tell the US film companies that home video recorders would be good for their business. They disagreed and the two sides spent eight years fighting in the courts before the Supreme Court ruled in Sony's favour. This battle, so fresh in Mr Morita's mind, is clearly a major reason behind Sony's acquisition last year of CBS Records – a hardware and a software company coming together.

Protests from labour unions are another obstacle for the advocates of technology. Mr Morita remembers going to London on his first visit in 1953. During a trip to the BBC, he noticed a recording was being made by means of a pre-war vintage needle moving across a heavy master disc. When he asked why the world's premier broadcasting corporation did not use tape recorders he was told the unions would not allow them.

Sony has, of course, made a great deal of money from Mr Morita's emphasis on persuading customers of the merits of Sony innovations – even if the customers at first seemed a bit slow to swallow the argument. When the company first tried selling tape recorders in Japan just after the war, nobody wanted one. It took countless appeals by Mr Morita and others to create a market. However, the group has also suffered for Mr Morita's stubborness. Sony was first to launch home video recorders – but stuck to its Betamax system long after it was clear that the competing VHS system, developed by JVC, had captured the market. Sony repeatedly argued that it was just a matter of time before consumers realised its technology was better. Only this year did Sony admit defeat and start marketing VHS machines.

The company has recovered from this failure. The success in the 1980s of its Walkman range of portable audio machines – tape recorders, radios, and recently compact disk players – proves that the "technology first" approach can still bring great rewards. The product invented a market which had not existed. Mr Morita has said on occasion that no amount of market research could have discovered a need for the Walkman.

As the interview ends, Mr Morita sighs and says he has to go to yet another party – this time at Mitsui Bank, in honour of its new directors. This is the season for company parties in Japan. The financial year ends in March; results are reported in May; and annual meetings are held in June, so July is a month for parties.

But Sony, says Mr Morita, has never had a party. "It's not good business for us. It is good business for the hotels."

● PERSONAL FILE
1921 Born Nagoya
1944 Graduated in physics, Osaka Imperial University
1946 With a partner founded Tokyo Tsushin Kogyo
1953 First overseas trip
1958 Company name changed to Sony
1971-76 President of Sony
1976-88 Chairman and chief executive officer, Sony

Ashley Ashwood

'Now Europe is becoming one big market . . . and that will be good for us'

Role of regulators

JUSTINIAN

SELF-REGULATORY BODIES, which exemplify the current fashion for overseeing and controlling a wide range of financial and other activities that materially affect the public, should take careful note of some trenchant observations made by the Court of Appeal as to the circumstances and manner in which the courts will intervene in policing the proper procedures of such bodies.

If the regulating body acts unfairly or with a lack of thoroughness in its investigation the court may feel obliged to stop the process and order the body to act properly.

In *R v Panel on Takeovers and Mergers, ex p. Guinness plc* threa appeal court judges to varying degrees were critical of the Panel's handling of an inquiry into one aspect of the takeover bid in 1986 by Guinness of the shares in Distillers, that aspect being whether a Swiss company had acted in concert with Guinness in circumstances that breached Panel's takeover code. Tha application for judicial review of the Panel's decisions was limited to a challenge to its refusal to grant Guinness an adjournment when requested to do so on two occasions in August and September, 1987.

Essentially, the earlier application was for a lengthy adjournment, until after all the proceedings, both civil and criminal, had been concluded and the report of the Department of Trade & Industry inspectors had been published.

The second applicatioo was for a short adjournment based on the late arrival and disclosure of a statement from London solicitors acting for a Swiss bank. This said that a Swiss company had heen involved in a concert party operation with Guinness.

Allied to this complaint was a contention that the Panel ahould have called for witnesses from the Swiss bank as requested by Guinness.

Unlike the DTI inspectors, the Panel has no power to compel the attendance of witnesses. But that is not to say that the Panel is powerless to persoada witnesses to come and give evidence hefore It. The Master of the Rolls, Lord Donaldson, expressed disbelief at the Panel's contention's that it could not use even indirect pressure to secure tha witnesses' attendance. He related the apocryphal story of the office boy who was invited to meet the company chairman for a friendly chat. The dialogue ended with the chairman saying that of course it was only a suggestion, but reminded his young listener that he should remember who made the suggestion. Tha Swiss witnesses, Lord Donaldson said, were very far from being office boys, hut they too might "have been susceptible to strongly wordad auggestions."

All three judges would, had they been sitting on the Panel, hava granted Guinness the ahort adjournment asked for.

The test is not whether the court thought it would have granted the adjournment itself. Rather it is a question whether the Panel was so unreasonable that lts decision was unfair. The court's limited interventionism in such matters is derived from two peculiar features of all self-regulatory bodies.

First, the body's authority is derived not from any power given in an Act of Parliament, but from the institutions which form the constituent hodies that gave it financial and moral support and nominated its members.

Second, the scope of the activities of a body soch as the Panel is invariably self-determined. Except in so far as the body decides to limit its own jurisdiction and to define its fear of operations, the constraints on its powers are those dictated not by law but hy practical considerations. These qualities in turn create certain constraints upon the courts to intarvene. The self-regulatory body is the master of its own practices and procedure.

Courts, sensitive to the nature of such an extra-legal instrument and the self-denying ordinance of the legislature in leaving regulation to those best suited to conduct such matters, adopt a hands-off approach. Judges, nevertheless, are always wary of allowing an unbridled licence to private investigators to conduct their affairs without some control and potentially unjustly. Lord Justice Woolf anded his judgment with a stern warning. The case had caused him concern. He hoped that the Panel understood the reasons for his concern, and that the case would at least serve as a salutary lesson for the Panel. A rush to investigate served to ohtain an early hearing, and, while not unlawful, was insensitive.